Accountancy

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Accounting In and For Management

THE SOCIETY OF INCORPORATED ACCOUNTANTS

APRIL 1956

TWO SHILLINGS

The Society

of

Incorporated Accountants

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Members use the designation Incorporated Accountant. Fellows may also use the initial letters F.S.A.A., and Associates A.S.A.A.

Admission to membership is by examination subject to satisfactory completion of articles of clerkship for five years (university graduates three years.) Six years' approved professional experience may be accepted in lieu of five years' articles. Exemption from the Preliminary Examination is granted on production of certain educational certificates.

Articles may also be integrated with full-time study at certain universities. Under this scheme a specific university degree and the professional qualification can be attained in a total period of 5¾ years.

All candidates must pass the Intermediate and Final Examinations, except that graduates under the universities scheme are exempted from the Society's Intermediate Examination.

There are Branches of the Society in Scotland, Ireland, Canada, Australia, South Africa and Central Africa, and District Societies in all parts of England and Wales, Northern Ireland, and India. Students' Societies and Students' Sections operate throughout Great Britain, Northern Ireland, and Eire.

Members of the Society are not allowed to seek professional business by advertisements or circulars.

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Budget Prospects

IT IS UNLIKELY that the Chancellor of the Exchequer will give anything to taxpayers as a whole when he opens his Budget on the seventeenth of this month. To be sure, the outcome of the financial year 1955/56 will show a great improvement on that estimated in the Budget of last Spring. Writing about a fortnight before the year-end, one can put the above-the-line surplus at something in the region of £400 million and the "overall" deficit (which is struck after bringing in "capital" items) at about £100 million, compared with the estimated figures of £150 million and £440 million. With unchanged taxation, Mr. Macmillan could confidently budget on an estimated outcome for 1956/57 not much worse than the actual outcome for 1955/56 and certainly very much better than the estimated outcome for that year. But Budgets can nowadays pay little regard to the cash accounts of the Exchequer. The primary assessment is whether taxation should be increased to diminish aggregate demand in the economy or decreased to enlarge aggregate demand. There are, however, other assessments to be made—in particular, the effects of changed taxation upon production and upon wage claims. This year, all these assessments are more than usually difficult to make, because it is early to judge whether the Budget of last Autumn and, more particularly, the disinflationary measures of February, have proved enough to set the economy aright. But the indications are that the Chancellor is making a really determined attack on the inflation and if he is, he is hardly likely to be tempted to bring in a Budget showing any "softness" so soon after his February onslaught.

All this does not necessarily mean that there will be no changes in individual taxes or in the tax burden on individuals. Indeed, the Chancellor now has a welcome opportunity to give effect to many of the recommendations of the Royal Commission, particularly those in its second interim report re-grading the incidence of income tax, without making any substantial change in the yield of taxation or in effective demand in the economy, while bringing a stimulus to output and effort. Removal of the surtax anomaly to which the President of the Society of Incorporated Accountants recently drew attention (see our next note) would be a reform of the same kind. A sizeable addition to revenue, to help pay for any net adjustments downwards that might result from this re-casting of the structure of income tax and surtax, would be obtained by charging Schedule A tax on the new valuations. If the Chancellor implemented the suggestions of the second Millard Tucker Committee on retirement provisions of the self-employed, the quite small cost in taxation would be more than amply offset by the larger savings generated. It is to be hoped that rumours now circulating are right and that Mr. Macmillan will bring in other measures to encourage savings, for there is great scope for imaginative plans to revive thrift among the public at large and to encourage retention of profits by businesses.

Erosion of the Middle Classes

THERE HAS been a protracted correspondence in a number of newspapers lately on the subject of the attrition of the professional classes. It is noteworthy that the weight of taxation was the cause most commonly adduced for the phenomenon. A letter from the President of the Society of Incorporated Accountants, Mr. Bertram Nelson, on this subject, occupied first place in the correspondence columns of *The Times* early last month. Mr. Nelson called attention to what he termed an indefensible anomaly in taxation, the removal of which would go some way towards relieving the financial problems besetting the middle classes. Earned income relief and personal and children's allowances, he pointed out, granted for purposes of income tax, were not deductible in arriving at taxable income for surtax purposes. And this was so, although surtax was officially described as an "additional income tax." He continued:

> To take a simple case, a married man with two children and an earned income of—say—£2,100 a year gross is liable to surtax although his taxable income for income tax purposes, after deducting allowances of £890 a year, would be no more than £1,210 (worth in pre-war terms on the basis of calculation which you have used about £485 a year).
>
> If these allowances were granted for surtax as well as for income tax then, in the case I have quoted, surtax would not be payable until the gross income exceeded £2,890 a year, leaving a net taxable income of £2,000 a year. Thus, by making a change in the basis of taxation which, I suggest, is equitable in itself as between all classes of taxpayers, the effective level at which surtax is payable would at once be raised, a change which in itself is much overdue in view of the altered value of money. The level at which surtax became payable would, of course, depend upon the allowances which each taxpayer was entitled to claim, as does income tax itself.
>
> The point I have made is separate and distinct from a reconsideration of the present lower limit of £2,000 a year at which surtax is now payable.

Mr. Nelson here raises a point of much force. The correction of the anomaly is not only separate and distinct from a possible lifting of the income limits at which surtax is payable—a lifting urged upon the Chancellor from all sides—but, one would think, should also rank earlier in both logic and justice.

Switches in Government Grants—

OFFICIAL FIGURES NOW published show that the revaluation for rating will increase rateable values in England and Wales by 70 per cent. The increase is from £367 million on April 1 last, to £623 million today. This total increase is made up of individual increases ranging very widely among the local authorities.

These wide differences will cause substantial changes in the distribution of the Exchequer Equalisation Grant. This grant is paid only to authorities whose rateable value per (weighted) head is below the national average and is designed to bring the rateable value up to the average. Forty-six local authorities will now lose over £8 million in grant and, because the formula yields a larger total grant this year, 69 authorities will gain £12 million. Six authorities now receiving no grant will this year share over £2 million; ten authorities now receiving £2 million will receive nothing. Liverpool, Lancashire and West Riding will gain over £1 million each; Birmingham will lose £1.6 million.

The equalisation grant is bound to vary as rateable value per head varies, but ordinarily rateable value moves only gradually. Changes in the incidence of the grant, as they are now to be experienced, confirm how distorted has been the operation of the grant in the period before revaluation. Further, if the revaluation had brought all rateable values up to date many local authorities, but not all, would have been disposed to overlook past distortions in the grant, seeing virtue in its basic principles. But as rateable values of dwelling houses are still based on rents as old as 1939, many have doubts about a grant which, for another five years, will be so falsely based.

The 28 county boroughs not currently receiving the grant have seized the opportunity to reinforce their previous criticisms of it. In their "pink report" dated February, 1956, they say "the violent changes in the estimated distribution of the grant due to revaluation indicate the unsound basis on which the distribution is made, for the current revaluation is not an up-to-date revaluation. Dwellings have been valued on a pre-war basis. When they are revalued on up-to-date rental values similar violent switches of many millions of public funds may take place. Fluctuations between

authorities will also occur if derating is abolished or modified."

They go further, however, and claim that rental levels in different parts of the country are so conventional that rateable value will never be an adequate index of local resources, even when rateable values are quite up to date. There is probably much truth in the criticism, in the context of the resources of ratepayers. But the Ministry is looking, as surely it should, to the rateable resources of the authority. In the words of the Edwards Committee "the figure of the rateable value of an area, however it has been secured, is a fact of immeasurable importance to the local authority."

The conflicting views will have to be reconsidered in the course of the official investigation into the working of the grant, to be conducted in the year after revaluation. But this investigation now forms merely a part of a much wider investigation into the finances of local authorities—including such questions as derating and alternative sources of revenue. Many hope that the eventual outcome will be that local authorities will secure sufficient independent revenues to reduce the Equalisation Grant to a marginal correction for those few authorities whose financial problems are quite abnormal.

—And in the Rate Burden

WITH THE ISSUE of the official statistics (in Command 9718, *Distribution of Rateable Values between Different Classes of Property in England and Wales*, H.M. Stationery Office, price 1s. 6d. net) the re-allocation of rateable values that has aroused so much feeling in the country is given precise measurement. For the important categories of hereditaments in England and Wales, the changes are summarised thus:

Percentage Changes in Rateable Values

	Domestic	*Shops*	*Offices and Miscellaneous*	*Industrial (derated)*
Old Lists	59.8	10.7	21.1	4.2
New Lists	49.4	14.3	27.3	6.3
Increase or decrease in new list compared with old list	—17.4	+33.1	+29.1	+49.6

The absolute figures are:

Totals of Rateable Values (£ million)

	Domestic	*Shops*	*Offices and Miscellaneous*	*Industrial (derated)*	*Total*
Old Lists	219.3	39.4	77.2	13.7	366.6
New Lists	307.8	89.0	170.0	35.2	623.0

The White Paper gives the figures for each county, county borough and metropolitan borough in England and Wales. It also analyses the changes that have occurred in the percentage shares of each category of hereditament in the total valuations. In the great majority of local authorities of each of the three classes there is a decrease in domestic valuations of between 10 per cent. and 30 per cent. In authorities of each class, the modal increase in shop valuations is in the range of 20 per cent. to 50 per cent. In each class of authorities, industrial valuations have increased in more diverse fashion—usually in the range from 10 per cent. to 80 per cent.

The big issue is still whether the promised study by the Minister of Housing and Local Government of the effects of revaluation will produce any adjustments in the drastic redistribution of the rate burden.

Incorporated Accountants' Course

AS PREVIOUSLY ANNOUNCED, a course for members of the Society of Incorporated Accountants will be held at Gonville and Caius College, Cambridge, from Thursday evening, September 20, to Tuesday morning, September 25, 1956.

Papers and addresses will be given on the following subjects:

- The Finance Act, 1956;
- Some Factors affecting Business Decisions;
- The Application of Electronics to Accounting;
- The Contribution of Accounting to Business Planning;
- Theories of Value;
- Valuation of Shares of Private Companies for Estate Duty Purposes;
- The Reconstruction of Companies;
- Problems of Professional Ethics and Etiquette.

The inclusive charge for the course will be £10 10s. 0d.

Full details will be sent to members shortly. The closing date for applications is Friday, June 29, 1956.

The Supply Minister on the Economic Problem

SPEAKING AT a luncheon of the Incorporated Accountants' London and District Society recently, Mr. Reginald Maudling, M.P., the Minister of Supply, surveyed the economic problem of modern Britain. Essentially, he said, the problem was to achieve a balance between inflation and deflation in conditions which made the attempt largely experimental. For, on the one hand, the country was seeking to maintain full employment and high production, with heavy commitments on social services and defence, while on the other hand, as an island importing economy it had to strive to keep sterling stable. Large internal expenditures and the economic burden they implied, going hand-in-hand with production at a high level, was liable to tend towards inflation and to threaten the stability of sterling. But a deflationary policy, which would certainly secure the position of the currency, would tend to defeat the aim of maintaining full employment and the social services. To secure the balance was a difficult problem in economics not yet satisfactorily solved.

The short-term problem, with contractions of the economy following upon expansions, and with fluctuations in the balance of payments assuming accentuated form because of the deficiency of the gold and dollar reserves of the sterling area, were difficult enough, but Mr. Maudling thought that the long-term problem was the more important. The long-term solution demanded an improvement in the competitive efficiency of the country. Such an improvement could, he thought, be brought about by three possible methods. Firstly, incentives, such as those introduced in recent Budgets, were necessary, in order that production should be increased. Secondly, competition had to be encouraged by such means as the Restrictive Trade Practices Bill. Thirdly, Government expenditure should be reduced, though it was necessary to bear in mind that great economies could hardly be made except by radical changes of policy

and that Government expenditure was falling as a percentage of the gross national product of the country, as it was also falling in real terms.

Mr. Maudling added that he was anxious to ensure that costs allowed in Government contracts were not too high. As many contracts as possible were placed on a fixed price basis, with competitive tendering, but it was often necessary, especially when ordering complex defence equipment of novel design, to place the contract on terms of "cost plus fixed fee." He wished to be sure that the costings arrived at in investigations of these contracts were reasonable. Some days after Mr. Maudling spoke, it was announced that he had appointed an accountant and a financier to inquire into costings made by the Ministry of Supply—see the shorter note "Fixing of Prices by Ministry of Supply" on the next page.

Stamp-Martin Scholarships

THE COUNCIL OF the Society of Incorporated Accountants announces that applications for the award of the third Stamp-Martin Scholarship will be considered in July, 1956.

The purpose of these scholarships is to enable members of the Society, and those who intend to enter the accountancy profession as members of the Society, to undertake a full-time course of university study. The amount of each scholarship is £100 per annum for a period not exceeding three years, and the number of scholarships current in any one year is limited to three. The Society reserves the right to withhold awards if suitable applications are not received.

The scholarship is normally tenable at any University or University College in Great Britain and Northern Ireland.

The various categories within which applications will be considered include the following:

(*a*) Accountancy students who have obtained honours or passed well in the Society's Intermediate Examination, and who satisfy the regulations for university entrance.

(*b*) Incorporated Accountants who wish to take a university degree.

(*c*) Those leaving school with a good certificate of general education, who declare their intention to qualify as Incorporated Accountants and to take a university degree. Applicants in this category should give evidence of attaining a standard of education sufficient to secure admittance to a university, preferably supported by a letter of recommendation from their headmaster.

(*d*) University graduates wishing to take a second degree in a subject concerned with accountancy and who declare their intention to qualify as Incorporated Accountants.

All applications require a recommendation from the head of an appropriate University Department, and later from the Stamp-Martin Professor of Accounting.

Proposed holders of scholarships are required to take a university course approved by the Society.

Applications should be sent to the Secretary, The Society of Incorporated Accountants, Temple Place, Victoria Embankment, London, W.C.2, not later than June 30, 1956.

Accountants' Right to Tax Work in U.S.A.

THE CASE OF *Agran* v. *Shapiro* was a famous case in the State of California in 1954 — American accountants would say an "infamous case." The decision of the Court brought to a head differences between lawyers and accountants about the work to be done by the two professions in the tax field. We commented on the case and its implications for the accounting profession in the United States in our issue of November, 1954 (page 410). Briefly, a proviso in a Treasury circular, No. 230, stated that nothing in the regulations should be construed as "authorising persons not members of the bar to practise law." The California Court held that since only the State Court could decide what was "practice of law," the Treasury meant to leave it to those Courts to decide what accountants, as agents "enrolled" with the Treasury, could or could not do in tax matters. It followed that the right, held in practice by accountants for some 40 years in every state of the Union, to represent clients before the Treasury in preparing Federal tax returns and in settling tax liabilities, was in jeopardy. For, in effect, it seemed that the State Court could nullify the enrolment cards held by accountants with the Treasury.

Happily, it now looks as though the clash between lawyers and accountants has been settled. The United States Treasury has issued what is termed an "interpretation" of the proviso in circular 230. The proviso should not be interpreted as an election by the Department, it is stated, not to exercise fully its responsibility to determine the proper scope of practice by enrolled agents and attorneys before the Department. It is the intention of the Department that all persons enrolled to practise before it should be permitted to represent their clients fully, and that agents as well as attorneys should cover "all matters connected with the presentation of a client's interest." All those who are enrolled with the Treasury, whether agents or attorneys, have, it is stated, satisfactorily represented clients fully for many years and the practice should continue. The Department has not the responsibility or the authority, it is added, to regulate further the professional activities of lawyers and accountants. Finally, "the Department has properly placed on its enrolled agents and enrolled attorneys the responsibility of determining when the assistance of a member of the other profession is required. This follows from the provisions . . . that enrolled attorneys must observe the canons of ethics of the American Bar Association and enrolled agents must observe the ethical standards of the accounting profession."

The American Institute of Accountants in a circular sent by it to all its members says that the interpretation of the Treasury provides a satisfactory basis for close co-operation between lawyers and Certified Public Accountants in tax practice. "The next step," it continues, "is to establish as promptly as possible co-operative machinery by the Institute

and the American Bar Association so that future questions regarding the appropriate roles of members of the two professions in tax practice may be dealt with through friendly negotiations, and the solutions may be supported by the internal disciplinary machinery of the two professions."

Suffering by the Revenue's Delays

IN OUR ISSUE of January last (page 20) we commented upon a case at the Old Bailey in which the Inland Revenue were censured by the Lord Chief Justice for conduct "amounting to cruelty" in delaying a prosecution against two men. Last month there was another case in which two men were similarly convicted at Bristol Assizes of conspiracy to defraud the Inland Revenue. To one of them, Thomas Reynolds, a company director, Mr. Justice Diplock said he had been convicted of a scheme for evading tax and had expanded his business by defrauding the Revenue. That was an offence for which the punishment in the normal course was imprisonment. What had decided him, said his Lordship, not to send Reynolds to prison was the delay of five years between the time when he made a complete disclosure and the bringing of the prosecution. Continued the Judge: "I am not satisfied that that delay, during which period you have suffered very seriously, was justified, and I take into consideration the suffering a man of your reputation must have endured during the period." But Reynolds, added the Judge, had nearly got away with £80,000 of tax and in fining him the fine had to be a serious sum which would be felt: the figure was fixed at £10,000.

The other defendant in the case was a qualified accountant, Robert Milne, and to him his Lordship said: "Although, in your case, there is not the consideration which is weighed so heavily with me of so prolonged a period, there has been a period of two years." Milne was fined £500.

The prosecution made an application for costs but the Judge replied in view of what he had said about the delay in bringing the prosecution, he could only refuse the application.

In a further case at the Central Criminal Court last month, in which Albert Wuertz-Field was convicted of making false tax returns and uttering false documents with intent to defraud the Inland Revenue, defending Counsel pleaded that the prosecution had been hanging over the head of his client for the past five years and he had suffered immensely during that time. From newspaper reports of the case, it does not appear that this plea weighed with Mr. Justice Devlin, who said that if it were not for the age (69) and the infirmities of Wuertz-Field he would have been sent to prison for a substantial time. In the event he was fined £5,000. Tax of nearly £19,000 had been evaded.

It will be easier for accountants than for many other people who read about judicial criticisms of the Inland Revenue for delays in bringing prosecutions, to understand the need for careful and prolonged inquiries into the circumstances before a case is brought to Court. However, the strictures upon the Inland Revenue will, it is to be expected, cause that hard-pressed and under-staffed Department to do all it can to avoid long delays in launching prosecutions in future.

TV Ousts Distemper

THERE IS NOW to be a new index of retail prices with a base of 100 for January, 1956. The new index replaces the interim index of retail prices, the base date for which was June, 1947. The change follows from the acceptance by the Government of the recommendations of the Cost-of-Living Advisory Committee (published in Command 9710, *Report on Proposals for a New Index of Retail Prices*, H.M. Stationery Office, price 1s. 6d. net).

The committee conducted a survey in 1953-54 of the expenditure of some 11,600 households, estimated to represent about 90 per cent. of the population. The family budgets enabled new commodities to be included among the items of the index and ones comprised in the old index to be discarded. Items in the index are also given revised weights. Such homely necessaries of earlier days as candles fall out of the index. Turnips are apparently not consumed any more or, at least, too few of them are consumed to matter. Distemper, even in days of "do it yourself," has gone out of fashion, and for some unfathomable reason sugar is not significantly used by the lump. But the television set finds a place in the new index; and among many other new items, charges for sending luggage in advance, the poundage on postal orders (presumably for the Pools), the admission to a First Division football match (no explanation being given for the relegation of the Second and Third Divisions outside the index), the subscription to a Youth Club, and the charge for cleaning a watch.

Food receives a smaller total weight than under the old index. Mainly for this reason the new index would have shown an increase of 8 per cent. in retail prices for last year, against one of 9 per cent. by the interim index. The common belief that the interim index under-estimated the price rise is thus not substantiated by the statisticians.

The index is intended to reflect changes in retail prices for households in which the head of the house has an income of less than £1,000 a year before tax, but in which less than three quarters of the household income derives from pensions or National Assistance. The index takes no account of income tax, National Insurance contributions, insurance premiums and contributions to pension funds, trade union and similar subscriptions, bets, professional fees, mortgage repayments and capital transactions.

Shorter Note

Fixing of Prices by Ministry of Supply

The Minister of Supply, Mr. Reginald Maudling, has asked Mr. S. J. Pears, F.C.A., and Mr. Nutcombe Hume to advise him on the methods of fixing prices for stores acquired by the Ministry on non-competitive contracts. Mr. Pears is a member of the Council of the Institute of Chartered Accountants in England and Wales.

EDITORIAL

A Vexatious Control

BACK to war-time controls! That is hardly a slogan one would think to associate with the present Administration. But it is apt enough, in the particular context of capital issues. For last month there was decreed Statutory Instrument Number 358, lowering to £10,000 the limit above which the consent of the Capital Issues Committee must be obtained to the raising of new capital. The limit has not been so low since 1940 to 1945; for the last ten years it has been £50,000. If a business now seeks funds reaching in the aggregate in any one year the quite modest figure of £10,000, it must submit its need to the scrutiny of the committee, unless the funds are forthcoming from a bank which can satisfy itself that they are required for essentially short-term uses. And, in obedience to the latest request from the Chancellor of the Exchequer, the committee will adopt a "vigorously critical attitude" towards the application, as to all applications.

It is hard to believe that the total volume of capital raised in slices of less than £50,000 at a time can be really large, and therefore the new Order can scarcely be justified for its discouragement of expenditure upon capital goods at this time of "over-investment." There is little doubt that there had been some avoidance of the limit of £50,000 by the raising of sums falling only slightly short of the limit, but it was hardly worth stopping this perfectly legal avoidance simply for the sake of spiting the avoiders. What, then, might be put forward as a sensible reason for the move?

One reason we have seen mentioned is that hire purchase concerns that finance industrial assets have been proliferating on subscribed capitals of less than £50,000, building up a pyramid of finance on the capital to feed the over-investment and thus the inflation. But, firstly, another more direct step has been taken, by way of the stipulation of a minimum deposit of one-half, to restrict the hire purchase of industrial assets, and it seems unnecessary to supplement this quite Draconian measure by another introduced through the back door. And, secondly, the finance houses that have been conducting this hire purchase business have done so hardly at all on the quite small capital subscribed by their members, but almost entirely on deposits received from the public. Deposits can still be taken without limit. It is a retrograde move to narrow still further the substructure of capital on which the superstructure of deposits is erected. There may well be some reason to feel concern at the rapid growth of the number of smaller hire purchase concerns, but to reduce the capitalisation of any newcomers will aggravate the unease rather than alleviate it.

Another reason that has been adduced for the Statutory Instrument is the old favourite "the psychological effect." If Mr. Macmillan and the Treasury indeed expect to produce "a favourable climate of opinion" by restrictive measures such as this one, they have a peculiar appreciation of a businessman and his psychology. Far from merely underlining the need to limit the demand for capital goods—a need already emphasised in many different ways—the prime effect of the decree will be to produce a sense of frustration. The frustration will be intensified when, as from its history seems likely, the Capital Issues Committee takes inordinately long to scrutinise applications made much more numerous by the new Order.

We can find no sound reason for this reversion to the war-time limit on the raising of capital. It must deal another heavy blow at the family business, already suffering from several other assaults—as in the assessment of estate duty and in the levying of profits tax. Even during an inflation it is not good to stifle the spirit of enterprise in the small business by cutting it off from its source of funds. The Government, to our mind, would do better to go into reverse gear, to seek the encouragement of the small business by every available means. A further criticism of the capital control is that it penalises the business that has to raise its funds, in comparison with the business with reserves. There is no economic reason why expansion on capital raised in the market should be counted as less meritorious than expansion financed internally. A function of the capital market is to allocate funds to the uses that offer the best returns on the economic test. To tighten still further the capital control is to allow this function even less play than it has had in the restrictive decade since the war.

Related to the lowering of the limit on new capital issues was the suggestion by Mr. Macmillan that institutions should "examine with special care" transactions by which they buy properties and then let them back to the sellers. Transactions of this kind have been very popular lately as a means of raising capital for business expansion. The assurance offices and finance houses that have conducted these "sell and lease back" deals have apparently had a surfeit of would-be sellers-cum-lessees on their doorsteps and do not object to the admonition of the Chancellor. Yet, here again, from the broader viewpoint it is much to be doubted whether obstacles should be put in the way of businesses wishing to sell their own property to raise funds for expansion—even if the obstacles take no more positive form than the expressed wishes of the Chancellor of the Exchequer. We hope there will be no intention of translating the cautionary injunction of the Chancellor into a statutory bar. Indeed, we hope that this vexatious interference with the right to dispose of property will soon be revoked, even before the wished-for day when industrial investment is freed of all its clamps and is again fostered by the Government.

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It is roughly four hundred years since the first English Act "touching Orders for Bankrupts" was passed, and thirty years since the last amending Act. In this article the history of English bankruptcy law between these two dates is reviewed, and some possible lines of future development are briefiy indicated.

English Bankruptcy Law

THE APPOINTMENT OF a Departmental Committee under the chairmanship of His Honour Judge J. B. Blagden to consider amendments to the Bankruptcy Acts, 1914 and 1926, and the Deeds of Arrangement Act, 1914, has put bankruptcy law in the news. A brief historical survey of the development of this branch of the law is therefore apposite.

Roman Law

In Roman times, under the old law of the Twelve Tables, creditors could take a debtor's body by selling him into slavery or even by hacking him in pieces proportionate to the size of their debts—but they could not at first touch his property. That came later. Eventually Roman law evolved both administration of the debtor's property by the Court and the voluntary surrender of his property by the debtor in order to avoid bankruptcy. The Italian commercial cities of the later Middle Ages adopted both procedures, with modifications, from Roman law, and thus centuries before English law had efficient methods of dealing with the estates of insolvent debtors.

The Common Law

English common law in medieval times had no method of effecting a rateable division of a debtor's property among his creditors generally. Each debtor faced his creditors individually. A creditor's remedies by way of execution following a judgment in his favour were originally confined to methods of execution on the debtor's property. Then by a series of developments, which need not be detailed here, it became possible for the creditor almost always to attach the debtor's body—to imprison the debtor for non-payment of the debt. This is the reverse of the development that took place in Roman law.

As may be imagined, a thoroughly unsatisfactory state of affairs resulted and it was increasingly resented as industry and commerce developed. There was nothing to prevent a "first come, first served" scramble on the part of creditors who doubted the debtor's solvency, and no distinction was drawn between the merely unfortunate and the dishonest debtor—the unfortunate could be ruined and oppressed, the fraudulent could still slip through the meshes of the law. English merchants were not slow to point out the need for reform: the special interest of the commercial community in this subject appeared by the reign of Henry VIII.

Improvement came through two agencies, the Privy Council and Parliament, and in two directions, by modification of the law in favour of the merely unfortunate and by sharpening it against the dishonest debtor.

The Privy Council

In the sixteenth and the first half of the seventeenth centuries, the Privy Council constantly intervened in cases of debt and insolvency, usually to put pressure on creditors to accept reasonable compositions or to give time to debtors, but sometimes to set the law in motion against fraudulent debtors. In the session of 1542/43, Parliament passed the statute 34 & 35 Henry 8, c.4. It is usual to trace the origin of our bankruptcy law and administration to this statute, but it was directed against fraudulent debtors only. It empowered the Lord Chancellor and other Privy Councillors, on the complaint of a creditor, to direct the seizure of the debtor's property and the distribution of "a portion Rate and Rate" among the creditors. It provided for the examination of debtors to the estate and of persons supposed to have property of the debtor. It was without prejudice to the creditor's other rights and the debts were discharged only to the extent to which they were paid. It did not make the debtor a bankrupt, though it did provide for summary seizure of his property and rateable distribution of it among the creditors.

Coke, in his Fourth Institute, page 276, puts the origin even earlier. He says that the first statute was 25 Edward 3, stat. 3, c.23 (1351) against Lombards "who after they had made obligations to their creditors, suddenly escaped out of the realm without any agreement made with their creditors." He said: "We have fetched as well the name as the wickedness of bankrupts from foreign nations." Both statements are wrong. The statute dealt with creditors' remedies, not with adjudging debtors bankrupts, and English native genius was quite equal to discovering the wickedness of bankruptcy for itself.

The First Period of Legislation

A real beginning was made by Parliament in the statutes 13 Elizabeth 1, c.7 (1571); 1 James 1, c.15 (1604); and

21 James 1, c.19 (1623). These statutes contain the real bankruptcy law of this first period of development, but they represent Parliamentary action against the dishonest debtor and were penal in character. Our present bankruptcy law still bears traces of this origin.

The main features of these Acts were:

1. They restricted the benefits and burdens of bankruptcy to traders. (Other insolvent persons were dealt with in a separate series of Acts for the relief of insolvent debtors, commencing with the statute 53 George 3, c.102 (1813). Traders became bankrupts, but gentlemen became insolvent debtors.)
2. They laid down the possible acts of bankruptcy. Incidentally, a debtor could not present his own petition: early bankruptcy law provided a remedy for creditors, not debtors.
3. They gave bankruptcy jurisdiction to commissioners appointed by the Lord Chancellor under the Great Seal. This system for various reasons was anything but satisfactory.
4. They gave the commissioners extensive powers over the bankrupt's person and property, including power to examine him and his wife on oath. On refusal to answer, the bankrupt could be imprisoned. On committing perjury, he could be pilloried for two hours, with one ear nailed to the pillory and finally cut off. These powers, especially the power to imprison, were sometimes abused.
5. They defined the commissioners' powers and duties—principally, to effect a rateable division of the property among the creditors. There were provisions to prevent creditors obtaining priorities, for example, by becoming execution creditors.
6. They provided various means for swelling the assets available, for instance, by the avoidance of certain prior dispositions of his property by the bankrupt; by including a claim to his after-acquired property; and by a "reputed ownership" clause.
7. They did not provide for the release of the debtor from his debts. There was as yet no discharge from bankruptcy.

No attempt was made to separate the sheep from the goats: this legislation assumed that all bankrupts were criminals. While the Privy Council exercised jurisdiction, something could be done to mitigate the hardships of the law, but with the abolition of conciliar jurisdiction in Charles I's reign in 1641 a great gap was left. Holdsworth says that bankruptcy law is the branch of law that suffered most from the abolition of conciliar jurisdiction in 1641. The great need was for some machinery whereby an honest debtor could make an effectual composition with his creditors. As matters stood, this was impossible unless he could get *all* his creditors to agree. In the absence of any such machinery, and while imprisonment for debt remained, the lot of debtors was hard. Several attempts were made after Charles II's restoration in 1660 to introduce into Parliament bills for facilitating arrangements for a composition with all creditors, but all these attempts failed. Until the nineteenth century, Parliament, common law and equity had none of them provided any machinery for private arrangements outside bankruptcy by way of a composition with creditors, nor any substantial alleviation of the debtor's liability to imprisonment for debt.

The Second Period of Legislation

From this point onwards—if we ignore the work of the Chancellors in the Court of Chancery during the eighteenth century, most of which is now embodied in the Bankruptcy Acts—Parliament, not the Privy Council, carried on the work of improving the law. A series of Acts for the relief of prisoners for debt and poor prisoners was so frequent as to suggest by that fact alone that this method of improving the law was not effective. The second great period of development comes with the statutes 4 Anne, c.17 (1705), 5 Anne, c.22 (1706) and 5 George 2, c.30 (1731–32). These transformed bankruptcy law by providing for what we should now call a certificate of discharge from bankruptcy. A person who surrendered himself for examination, delivered up all his property and conformed in all respects with the requirements of the law, was entitled, subject to the consent of his creditors, to a portion of his estate and a certificate of conformity, which could be pleaded as a defence to any action for a previously incurred debt. At the same time, creditors were allowed a greater share in the administration of estates through assignees elected by them. The minimum debt for a petition was fixed at £100. An attempt was made to check the grossest extravagances of the commissioners. The first provisions against those who had contributed to their misfortunes by recent gambling appeared. From now on bankruptcy law did something for debtors as well as for creditors.

The Third Period of Legislation

The legislative impulse towards reform faded away in the eighteenth century. The third great period of legislative development came in the nineteenth and early twentieth century. This is so detailed and voluminous that it is only possible to pick out certain features.

In 1825, a debtor was for the first time allowed to initiate proceedings to rid himself of his burden of debt and the first experiment in providing for a judicially approved composition as an alternative to bankruptcy was made.

In 1831, the offices of the old commissioners were abolished together with a number of other expensive sinecures, and a Court of Bankruptcy, a court of law and equity with its own Judges and commissioners, official assignees and registrars, was set up. The official assignees administered the property.

In 1842, the discharge of the debtor became a purely judicial matter, no longer dependent on the consent of the creditors—an important advance, as it enabled the Court to distinguish degrees of blameworthiness at the discharge stage in the proceedings.

A major consolidating and amending Act was passed in 1849. It gave the commissioners power to suspend or attach conditions to a certificate of conformity and it developed the system of judicially approved compositions with creditors. It was, however, unnecessarily complicated. The 1861 Act improved it by simplifying the procedure. Administration of the estate by Court officials had proved slow and expensive, so the 1861 Act gave the main responsibility for this to the assignees elected by the creditors. It also gave all persons, and not merely traders,

the benefit of bankruptcy, thus foreshadowing the great reform of 1869.

Imprisonment for debt was established in mediaeval times as a result of a series of legal fictions, with the result that it was not properly thought out and regulated. In spite of its obvious disadvantages, it persisted for centuries. It was Charles Dickens who at last succeeded in arousing sufficient interest in the subject to ensure that something should be done.

The Debtors Act, 1869, abolished imprisonment for ordinary non-payment of debt. This change was so far-reaching that some may think the law has now become too tender to debtors. It is, however, worth recalling that there are exceptions, notably that a debtor can be imprisoned for default in paying a portion of his salary or income which he has been ordered to pay under Section 51 of the Bankruptcy Act, 1914, and also for the offence of failure to pay instalments ordered by a County Court when he had the means to do so. The Debtors Act also gathered together in Part II offences against creditors and offences in bankruptcy proceedings and made them punishable as misdemeanours by the ordinary criminal Courts (see now Part VII of the Bankruptcy Act, 1914). The Bankruptcy Act, 1869, which should be read with the Debtors Act, gave the whole responsibility for administering estates to trustees elected by the creditors, and added committees of inspection. It stated the circumstances in which a discharge could be granted, refused or suspended—substantially in their present form. It made an advance towards rendering more effective compositions with creditors made out of Court.

The Act of 1869, which laid the foundations of modern bankruptcy law, was further amended in 1883. Under the 1869 Act, there had been no central supervision of administration and no audit of the trustees' accounts, and much corruption crept in. The 1883 Act set up the present system whereby the Court retains control of all judicial proceedings but the Board of Trade and the Official Receivers supervise the administration of estates (in some cases carrying it out) and investigate the debtor's conduct and affairs, assisting the Court at the public examination and the application for discharge. There was some professional jealousy of this at first, but there is no doubt it was a great improvement on anything that had gone before. The Act also made improvements in the procedure—for example, by the interposition of the receiving order between petition and adjudication, a procedure that facilitates the examination of the debtor and the arrangement of a judicially approved composition. Provision was also made for small bankruptcies and for the administration in bankruptcy of deceased insolvents' estates.

The chief developments subsequent to 1883 relate to private deeds of arrangement. Their registration was required in 1887, and the consent of a certain majority of the creditors in 1913. The various provisions relating to them were separately consolidated in 1914.

Finally, in 1926, one more attempt was made to deal with the vexed question of competition between the two bodies of creditors on the occasion of a second bankruptcy, and failure by a trader to keep proper books of account was made a criminal offence. Two members of the Society of Incorporated Accountants, Sir James Martin and Mr. C. Hewetson Nelson, had much to do with the enactment of the latter provision. Both were members of the Committee of the Association of British Chambers of Commerce which provided the initial impulse in 1923, and Sir James Martin was a member of the Departmental Committee of 1924 on whose Report the 1926 Act was based.

Possible Advances

If the 1926 Act is ignored, it is now forty-two years since the last major amendment and consolidation. Further advances might be made in the following directions (among others):

(1) The position with regard to compositions and arrangements outside bankruptcy could be improved. We have not yet got a really satisfactory alternative to bankruptcy.

(2) Only about one debtor in five actually applies for his discharge and there are, it seems, about 60,000 undischarged bankrupts in the community. This is one of the problems which the present committee is examining.

(3) The writer must record his opinion that it is a pity that the present inquiry does not deal with the whole subject of trading on credit and insolvency. The omission of the small private company from the scope of the inquiry seriously limits its value. A person can trade by means of a series of registered companies which, through his fraud or inefficiency, persistently fail, but he is not placed under disabilities in the same way as an individual trader who is adjudicated a bankrupt. A general inquiry could also consider the assimilation of the law of bankruptcy with the law of winding-up. There are a number of differences of law and procedure, the reasons for which are not obvious.

(4) It might be worth having a look at Section 33 (6) of the Bankruptcy Act, 1914. This provides that in the bankruptcy of partners the joint estate is applied in payment of joint debts and the separate estates in payment of separate debts, only the surpluses (if any) being transferred from the joint estate to the separate estates, or vice versa.

This is an old equitable rule, established after doubt and hesitation—see, for instance, Lord Eldon's judgment in *Dutton* v. *Morrison*, (1810) 17 Ves. 211. It is not the way in which accountants and business men would have dealt with the matter if it had been left to them, and in some circumstances it results in the separate creditors receiving 20s. in the £ while the joint creditors receive very little. There are exceptional cases in which the joint creditors can come down on the separate estates for a dividend; but the existence of any joint estate at all, however small, is usually enough to prevent this, however large the liabilities of the firm may be.

Our article surveys some of the accounting machines and aids on show at a recent Business Efficiency Exhibition at Birmingham. This highly successful exhibition was arranged by the Office Appliance and Business Equipment Trades Association.

Accounts "Untouched by Hand"

THE WHOLE RANGE of office appliances, from small hand-operated adding machines to electronic computers, was recently on show at Birmingham. The National Business Efficiency Exhibition, the forty-seventh in the series, had exhibits from one hundred and seven different manufacturers. Indeed, the first impression of the exhibition was of size, the number and diversity of the exhibits being somewhat overwhelming. Closer examination also seemed to leave some visitors slightly bewildered—clustering round the electronic computers, and even the electronic calculators, the smaller relatives of the computers, uninitiated audiences were left open-mouthed and perplexed by the wonders of the new age in automata.

Electronic Machines

Complete electronic systems were shown by the main manufacturers of punched card equipment. The cards are the medium for feeding the information into the machines, and the latest punches are designed to speed the production of the cards and to minimise the amount of manual punching. The printing punch of *International Business Machines* incorporates an automatic control of programming. A master card, placed on a roller in the machine, controls the repetitive part of the programme. Skipping of unused columns and shifting from numerical to alphabetical punching for a complete series is controlled by the card, which can also direct the duplication of information common to the whole of the series.

The same company exhibited a sorter capable of dealing with 1,000 cards a minute, claimed to be the fastest machine of its kind in use.

A reproducing punch by *Powers-Samas* automatically reproduces a new set of cards from the old set at a speed of 130 cards per minute. The cards so reproduced may be an exact copy of the old or may be modified by the exclusion of selected columns.

The makers of Hollerith equipment, *British Tabulating Machine*, had two stands, and at one they demonstrated their electronic equipment. Their "550 Calculator" was shown disposing of the long and tedious calculations incidental to stock control with average pricing. With four cards run through the calculator twice, a complete stores control record is obtained, including balance cards which also form the first cards for the next series.

In all the machines demonstrated, the input medium is the punched card, but a "trailer" of future developments was given by the keyboard accounting machine concerns. One of these companies, *National Cash Register*, used an illuminated panel to show the working of NATRON, now in use in the U.S.A. The primary data are recorded on the machine, which simultaneously punches a continuous tape fed into the computer. As an example, a complete payroll can be produced, the only manual entries being the worker's identification and his current and accumulated data. The computer completes the necessary calculations and produces a printed payroll. For the time being this system is not available in this country, but there is a prospect that the machine may be imported within the next year or so.

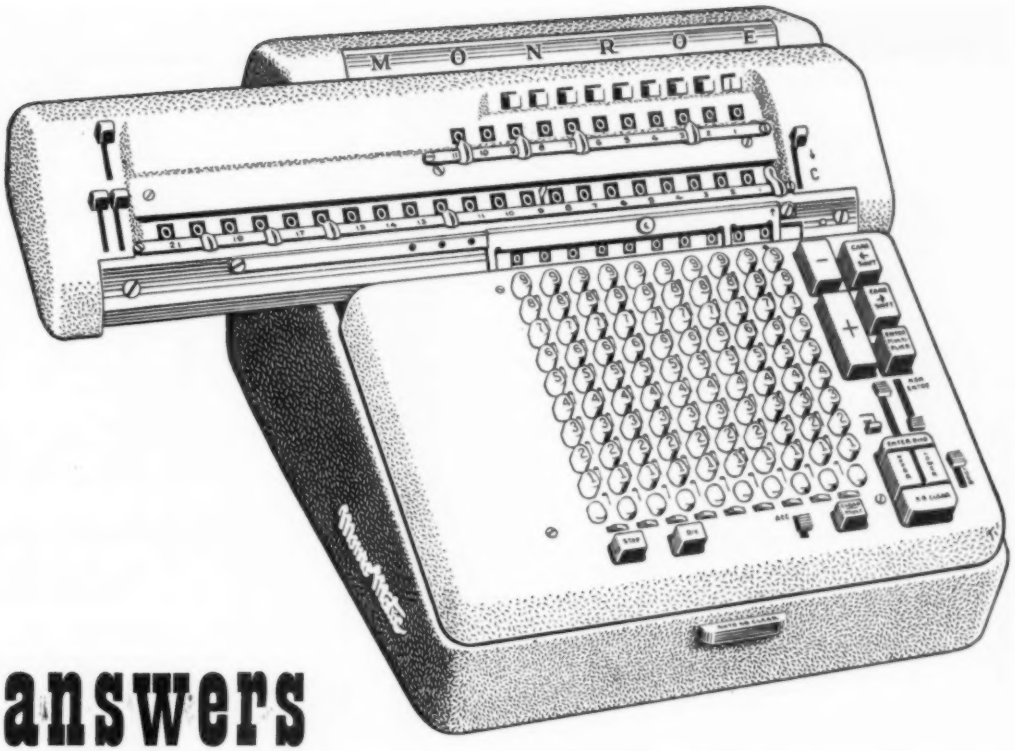
Details of a printer capable of 900 lines per minute, reading from tape or cards, were given by *Burroughs*. Two columns of six figure numbers can be cast and cross cast in one second. This machine, like the NATRON, is not yet available in this country.

Electro-Mechanical Devices

The very efficiency and speed of electronic devices may make it impossible for any but the larger accounting units to employ them to their full capacity. The smaller concerns will continue to look to the electro-mechanical machines to assist in their book-keeping and accounting.

There have been notable improvements in these simpler machines. The new keyboard models have not only a very high standard of performance, but are amazingly attractive in appearance. It may appear odd to apply aesthetic values to machines, but any operator will affirm that the appearance of the machine becomes important if one has to look at it day after day, and it seems to be true that the more handsome the line of a machine the more efficient it usually is.

The exhibits of the *National* company ranged from a simple desk model to their Class 31 machine with ten registers. The desk model, suitable for a firm dealing with up to four hundred invoices a day, is comparatively inexpensive and copes adequately with the accounting of most smaller firms. Despite its price, it embodies such refinements as an automatic tabulator and interchangeable bar. At the other end of the scale, the Class 31 with ten registers is a highly versatile machine embodying many new features. Automatic proof of correct pick-up of old balance is given, and perhaps the most useful new development is the method of directing the operator throughout the whole operation by means of printed instructions on the stops on the front of the platen. Each stop automatically aligns itself behind a fixed T bar on the front of the machine and the next operation is easily



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read. The bars holding the stops are easily interchanged for various accounting routines, or the stops can be removed and new ones attached. A split platen and front and back feeding are standard. Four manual operations only are needed to produce side by side a statement and ledger card, together with a proof journal automatically proving all entries from pick-up to closing balance.

The same company demonstrated a revolutionary idea in keyboard machines—the "Live Keyboard," which for a small additional cost can be incorporated in any of its machines. This keyboard dispenses entirely with a motor bar, each key being capable of activating the machine. The operator's fingers need not leave the keys. An increase of 30 per cent. in speed is claimed.

A 19 Register "Sensimatic" machine was shown by *Burroughs*. A feature is that by the turning of a knob at the side, the machine can be made ready to carry through any of four jobs. If more than four operations are desired, additional units can be easily fitted to the machine. For wages, the machine produces the tax card, pay slip and payroll, the slip and roll showing seven different types of deduction, including four variables and a breakdown of gross pay into four elements. The payroll contains thirteen different totals and gives complete proof of accuracy. Two new applications of this machine were demonstrated. One for hire purchase accounts prints on a card the periodical balances due and if underpayments arise the balance is automatically thrown out on the posting of the cash. The other application is primarily for banks and building societies. The calculation and capitalisation of interest is automatically carried out by the machine and the interest is adjusted for each deposit and withdrawal. The setting-up of the machine for the calculation is a matter of a moment or two; once set-up the machine need not be reset until a new time factor is involved—for example, at the end of a month.

For concerns with analysis problems, *Logabax* have an analytical-accounting machine with 198 registers. The registers are so arranged that one set of analyses over 198 headings or two sets of analyses each to a maximum of 99 headings may be obtained at one run. Straightforward analysis may be carried out at the speed of 1,000 items per hour, and analysis combined with ledger posting at about 100 cards an hour. An illuminated panel can be attached to the machine and will indicate those registers that contain analysis totals, thus eliminating the necessity of clearing and printing empty registers.

The new *Remington* machine has a device for automatically aligning the ledger card and statement, which are fed from opposite sides of the platen. The printing calculator manufactured by the same firm adds, subtracts, multiplies and divides automatically, giving a printed record of the figures set up in the machine, and of the results. This machine is amazingly fast and simple to operate.

Monroe showed the new "N" Models first introduced at the exhibition at London last year. Two new models, the hand operated LN and the electric LA.7, were delayed in transit but details were given of improved performance and design. The feature of all these machines is the extremely high degree of "automation" and the provision for storing intermediate totals until they are needed.

The smaller hand tool of the accountant and bookkeeper was not neglected—exhibits ranged from the electrical calculator to the small five banked manual adding machine.

Other Aids

Micro-filming for the storage of records is carried one step further by the *Burroughs* "Micro Twin," a filmer and a reader combined. This machine was shown as part of a cycle billing system of a large retail store operating credit accounts. The original sales and cash documents are filmed, together with the statement to which they refer, and are forwarded to the customer. The only records retained by the store are a skeleton ledger card and the microfilms.

The manual copy systems were well represented and the usual high standard of efficiency is apparent. The copy statement system of *Kalamazoo* is ideal for the firm with large numbers of small credit sales.

Wages procedure appears to lend itself easily to this type of device, and many excellent designs were shown. Outstanding in this realm were *Anson* and *Twinlock*. The former provides for automatic ejection of the pay slip and realignment of forms, the latter aligns simply by means of tapered studs.

The stand of *Communication Systems* was besieged by crowds of children testing the telephone relays, but the more serious visitor could find much of interest and possible profit in their impressive display of private intercommunication systems.

Of perhaps more specialised interest is the "Centralograph," a *Telephone Rentals* service, which gives at a central point a visual record of the production performance of up to 20 machines for each installation. Its applications for the production engineer are numerous and the works accountant is provided with a complete record of performance for such purposes as wasted time.

Imperial Typewriter showed their newest range. Their Model 66 has an easily interchangeable carriage and a very useful guide to show the approach of the end of the sheet. The dual feed machine makes it possible to operate a typewritten copy system of book-keeping.

Office furniture was functional in design and pleasing "on the eye"—two attributes not always seen in conjunction.

Probably the short supply of clerical staff, and its high cost, have given an impetus to the development of mechanical aids to book-keeping and accounting. While the industrial accountant will doubtless continue to encourage the trend, the average practising accountant will also welcome the easement that machines will bring especially to the depleted staffs of his smaller clients, in the hope that it will mean a corresponding diminution in the additional work which is being left "for the auditors to do."

What risk does an accountant run in advising on investments—and in doing other work in the investment field? Our contributor discusses the legal background to the Prevention of Fraud (Investments) Act and assesses the effects of the Act in the light of a recent case.

The Perils of Giving Investment Advice

by S. D. Temkin, M.A., LL.B.

THE COURT OF Criminal Appeal has quashed the conviction of a bank manager found guilty under the Prevention of Fraud (Investments) Act, 1939, of having induced an investment by a false statement made recklessly. He had been fined £100. The Court of Criminal Appeal found that the conviction was not supportable by the evidence. A building firm was in need of capital, and the bank manager introduced it to a local financier, who put £40,000 into the concern and lost it. The firm went into liquidation with liabilities of £66,000. One of the principals of the firm was found guilty on two charges of having recklessly induced the investment and on two of having induced the investment by dishonestly concealing material facts. The jury in the lower Court had found the bank manager not guilty of fraudulently attempting to induce the investment and not guilty of other charges involving recklessness. (The meaning of these variants will appear as we consider the wording of the Prevention of Fraud (Investments) Act.) The indictment against the bank manager contained several counts alleging that he made specific statements about the proposed transaction. The jury acquitted him of these and the conviction rested on the vague statement "It's a good investment." In quashing the conviction the Lord Chief Justice said that putting it at its highest what the bank manager said was that if the financier came into the business and became managing director and put up £40,000 it would be a good investment, which was quite different from saying that the business was a good investment. We are brought up against the possibility that in a different context saying that something is a good investment might be the basis of a criminal charge. As accountants are by virtue of their calling often asked to advise on investments some review of the law is desirable.

The Prevention of Fraud (Investments) Act, 1939, under which the proceedings in the recent case were brought, is an Act of extraordinarily wide ambit, far wider than is generally realised. It was passed because neither the criminal law as it then existed nor the requirements as to disclosure contained in the Companies Acts had proved sufficient to cope with the ingenuity of the hawkers of worthless securities, and, as often happens, it was necessary to make the patch larger than the hole.

The Larceny Act and the Companies Act

The question might be asked why such persons could not be amenable to the law of false pretences. By Section 32 of the Larceny Act, 1916, "every person who by any false pretence with intent to defraud obtains from any other person any chattel money or valuable security" is guilty of that offence. However, to bring the case within this Section there must be a false pretence that some fact exists or did exist. An essential point is that the misrepresentation should relate to fact, and not to the opinion of the offender. If the quality or value of the thing has been misrepresented the false statement may be one of opinion. The peddlar of worthless shares who induces a clergyman to part with his life's savings by telling him that "they're bound to pay big dividends" is likely to be able to assert that he is making no misrepresentation as to fact.

Then there are the requirements of the Companies Act, 1948. By Section 38 (3) it is not lawful to issue any form of application for shares in or debentures of a company unless it is accompanied by a prospectus. By the same Section the contents of any prospectus are laid down. By Section 41 any prospectus must be registered. These provisions (except with regard to "placings") apply only to the issue of shares or debentures by the company, and although the word "debenture" has a wider meaning than is generally suspected, interests in property can be hawked about which do not come within that description—this apart from the sale of shares or debentures already issued. In an effort to cope with the share hawker, Section 356 (1) of the Companies Act, 1929, provided: "It shall not be lawful for any person to go from house to house offering shares for subscription to the public or any member of the public." This restriction proved completely ineffective, since the hawkers either used the telephone or so ordered their peregrinations that they did not, technically, go from house to house.

The Prevention of Fraud (Investments) Act

These comments on the limitations of the law as it stood in 1939 make it easier to understand the wording of the Prevention of Fraud (Investments) Act. Section 12 is the one which immediately affects the person who advises on investments. It begins as follows:

> (i) Any person who, by any statement, promise or forecast which he knows to be misleading false or deceptive, or by any dishonest concealment of material facts, or by the reckless making of any statement promise or forecast which is misleading false or deceptive induces or attempts to induce another person [to invest money].

Pausing before we consider the substance of the penalised activities, we notice that the sub-Section catches something of far wider scope than the misrepresenting of an existing fact. A "forecast," for example, which is brought in specifically, relates to the future and must be substantially a matter of opinion, as is illustrated by the case of *R.* v. *Bates* (see below). Then the Section catches not only statements and so on that the maker knows to be misleading, false or deceptive, but statements and the like that are made recklessly; and the fact that a statement is not made dishonestly does not prevent it from being made recklessly. In the case *R.* v. *Bates* [1952] 2 All E.R. (page 845), Donovan, J., said:

> The ordinary meaning of the word "reckless" in the English language is "careless," "heedless," "inattentive to duty." Literally, of course, it means "without reck." "Reck" is simply an old English word, now perhaps obsolete, meaning "heed," "concern" or "care." In accordance with the accepted principles of construction I ought to give that meaning to the word and, therefore, include that recklessness which is not dishonest . . .

The passage was delivered in the course of a trial in which the prosecution sought to have alternative bites at the cherry by including three counts in the indictment with the count of the reckless making of a misleading and deceptive forecast an alternative to the counts of dishonest concealment and knowingly making a misleading forecast. The forecast alleged was "that the directors of *Specalloid Ltd.* anticipate that the profits for the year ended March 31, 1946, should not be less than those shown in the auditors' report for the preceding year, namely, £65,349, before charging income tax." Deciding against the contention of the defendants that the Section covered only that recklessness which was also dishonest, Donovan, J., adverted to the particular question of forecasts:

> It is not a difficult matter to decide in any given case whether a false statement of fact is false to the knowledge of him who makes it, nor whether a concealment of facts is dishonest. But then the Section goes on to deal, among other things, with forecasts which are misleading, false or deceptive. The case of a forecast seems to me to be a different matter. A man may say: "I expect the profits to go on increasing or to be not less than last year," or: "I expect the value of the company's land and property to appreciate considerably." Those forecasts may turn out to be falsified by the events. How, in the majority of cases, could one prove that they were made dishonestly, even if such were the case? There would, I suppose, be glaring cases where it could be done, but such are the vicissitudes of human affairs, and their reaction on trade and business, that forecasts such as I have instanced might be made quite honestly, although they turned out to be unjustified. Obviously, therefore, it might be very difficult to bring to justice the person who had made such a forecast dishonestly. It would seem to be quite understandable in these circumstances, if Parliament, intending to do something about misleading false and deceptive forecasts, took the view that, as a practical matter, it ought to go a step further than in the case of false statements and dishonest concealment of facts, and, besides striking at the dishonest prophet, do something to ensure that even the honest ones should take due care to see that their forecasts were not misleading, false, and deceptive, and if, although honest, they were reckless, they should be liable to a penalty. (*loc cit.*)

"Inducing"

The duty cast upon the person advising on investments is made the heavier by the fact that not only may he be punishable for a statement *or* a promise *or* a forecast, but for one which is misleading *or* false *or* deceptive. These alternatives indeed cover a great variety of circumstances. It must not be thought from what has been written above that any kind of careless talk about investments may land the talker in gaol; it is only a person who "induces or attempts to induce" an investment who may be liable. "Induce" is stronger that "advise" or "suggest" and connotes something calculated to persuade. One definition of the word "induces" (for the purposes of civil wrong) says that it "refers to the situation in which A. causes B. to choose one course of conduct rather than another"; but the action of the person who "induces" need not be the sole operative cause.

So far we have been discussing only the first limb of the sub-Section. What must be the object of the inducing for it to be within the Act? Returning to Section 12 (1) where we left off we find three paragraphs. They are alternatives, and each, read together with the earlier part of Section 12 (1), limits the objects of the actions that may be penalised. The alternatives are:

> (*a*) to enter into or offer to enter into—
> (i) any agreement for, or with a view to, acquiring, disposing of, subscribing for or underwriting securities or lending or depositing money to or with any industrial and provident society or building society.
> (ii) any agreement the purpose or pretended purpose of which is to secure a profit to any of the parties from the yield of securities or by reference to fluctuations in the value of securities.

Note must be taken of the wide meaning of the term "securities." By Section 26 (1):

> "securities" means
> (*a*) shares or debentures, or rights or interests (described whether as units or otherwise) in any shares or debentures, or
> (*b*) securities of the Government of any part of His Majesty's dominions or the government of any foreign state, or
> (*c*) rights (whether actual or contingent) in respect of money lent to, or deposited with, any industrial and provident society or building society,
> and includes rights or interests . . . which may be acquired under any unit trust scheme . . .

Section 26 (1) gives a definition of "unit trust scheme," but there is no need to set it out here.

Reading this definition together with Section 12 (1) it will be seen that they catch the purchase of shares in the market or by treaty as well as acquisition through original allotment; and that they cover rights in share syndicates or pools whether formed for gambling in differences or otherwise. However, wide as is the definition of "securities," paragraph (*a*) of Section 12 (1) still would not cover a syndicate formed to gamble in commodities or a scheme giving rights in mushroom beds, such as have

been made the medium of fraud in the past. To curb these activities the legislature added paragraphs (*b*) and (*c*), as follows, with regard to inducing another person:

> (*b*) to acquire or offer to acquire any right or interest under any arrangements the purpose or effect, or pretended purpose or effect, of which is to provide facilities for the participation by persons in profits or income alleged to arise or to be likely to arise from the acquisition holding management or disposal of any property other than securities, or
> (*c*) to enter into or offer to enter into an agreement the purpose or pretended purpose of which is to secure a profit to any of the parties by reference to fluctuations in the value of property other than securities.

(The acts mentioned in paragraphs (*a*), (*b*) and (*c*), just quoted, of Section 12 (1) are relevant to a matter mentioned later—namely, the distribution of circulars relating to investments.)

Thus, if one man "induces" another to join in a syndicate gambling in cotton futures by reckless forecasts of the price support policy of the United States Department of Agriculture he might be liable to the penalties of the criminal law. The situation might be different, however, were the forecasts merely to affect the policy of the syndicate and not the adhesion of any individual to it.

How does an accountant or other professional adviser stand in relation to this Section? A client, for example, may have some investment proposition in mind, and he may ask his accountant to report on it. Supposing the accountant without dishonesty puts his name to a forecast which is "reckless" in the sense used by Mr. Justice Donovan? It would still have to be proved that the person making the reckless forecast "induced" his client to invest. In the great majority of cases that could hardly be predicated of the professional adviser. One might have the case of the old lady who followed automatically the opinions of her solicitor or stockbroker. Here too the cautionary phrase "It's a decision for you to make; there's always an element of risk in these matters" might be found in practice to negative the suggestion of "inducing" or of recklessness. Again it is difficult to visualise a criminal charge being pushed home where there existed no association with the proposition other than the ordinary relations between an investor and his specialist advisers.

Dealing in Securities

Thus far we have been considering the effect of one Section only of the Prevention of Fraud (Investments) Act, 1939. The Act prohibits "the carrying on of the business of dealing in securities" except by persons who are authorised to do so by licence of the Board of Trade or who fall within the class of dealers not required by the Act to obtain a licence. "Securities" has already been defined; Section 26 (1) also contains a definition of "dealing in securities," which is very wide. "Carrying on business" is not defined, but cases under the Moneylenders Acts show that in determining the question whether a business has been carried on the Courts (i) have considered the question with reference to the number of transactions entered into and the degree of system and continuity revealed by the transactions and (ii) are not prevented from holding that a particular business has been carried on by the fact that the person in question is carrying on some other business; therefore an accountant who from time to time bought or sold shares for clients might be "carrying on the business of dealing in securities."

Finally, reference should be made to Section 13 of the Act, which imposes very drastic restrictions on the distribution of circulars relating to investments. No person may distribute or have in his possession for the purpose of distribution any "circulars" containing any invitation to do any of the acts mention in paragraphs (*a*), (*b*) and (*c*) of Section 12 (1), set out earlier. From this blanket restriction several broad exceptions, couched often in complex terms, have been carved out, and the definition of "circular" bristles with difficulties. A letter could be a "circular" and, the exceptions notwithstanding, it is well within the bounds of possibility that an accountant concerned with the affairs of a small company who prepared documents in connection with a proposed private "placing" of shares or debentures might be contravening the Section. For this reason it is often considered advisable that such placings be made through members of a stock exchange or dealers licensed under the Act, who are among the persons excepted from the general operation of Section 13. Sub-Section (7) provides that proceedings for an offence under the Section shall not be instituted except by or with the consent of the Board of Trade or the Director of Public Prosecutions, and the practitioner is reasonably safe in assuming that an administrative equity would prevent his being vexed where there was an entire absence of intent to defy the law in his possession of documents covered by the Section.

Buying Out Dissentient Shareholders*

[CONTRIBUTED]

No Court Order for Information

In the last-mentioned case the proceedings were taken in respect of the transferee company and Vaisey, J., did incidentally remark that it might be that the applicant could, by appropriate proceedings against the transferor company, have compelled a disclosure of documents or other information sufficient to satisfy him, or, at any rate, which would be regarded by the Court as sufficient to satisfy him. Such a possibility can now be ruled out in view of the decision in *Re Press Caps, Ltd.* (1948, 2 All E.R. 638), the first case on Section 209 of the

*The first part of this article appeared in our March issue, on pages 86–88.

1948 Act to be reported. Here dissenting shareholders did take proceedings against their own company, but were unsuccessful.

The dissenting shareholders, by originating summons, asked for a declaration that the transferee company was not entitled to acquire their shares under the Section, it being alleged that the offer was based on an undervaluation of certain assets of the transferor company and so was inadequate. The shareholders applied to the Court for an order of discovery of the documents which were or had been in the possession of the transferor company relating to the matters in dispute. The Registrar having refused to make the order, the applicants appealed to the Judge, who dismissed the appeal. This was, so far as the Judge was aware, the first application under Section 209 to obtain an order for discovery. Counsel for the dissenting shareholders had armed himself with special affidavits, but the question still remained whether a special case had been made out. His main argument was that, if he did not have discovery on a question of fact, his clients' hands would be tied behind their back. But that comment, said Roxburgh, J., is applicable to every case in which a litigant sues by way of originating summons and a question of fact arises in the course thereof.

The facts related to the value of particular assets. Having regard to the subject matter of Section 209, the value of the assets of a company must be a common factor in most applications under that Section. Accordingly, if the mere fact that there is a dispute about the value of the assets of a company is a sufficient ground for ordering discovery, it would have to be ordered in most cases under the Section. Roxburgh, J., did not feel able to say that any special circumstances had been disclosed which would have justified an order for discovery. In addition to the general procedural argument just mentioned, he also took into account the possible serious consequences if it should frequently happen that the holder of one per cent. of the shares in a company became entitled, by making application under the Section, to obtain an extensive investigation of the affairs of the company.

Time Limit on Offer of Transferee Company

In the recent case of *Re Western Manufacturing (Reading), Ltd.* the Court again had no difficulty in deciding that the offer made by the transferee company did not on the facts justify the intervention of the Court on the ground that the offer was unfair. The applicant was the holder of 3,585 shares out of a total issued capital of £532,776 divided into 2,131,104 shares of 5s. each. His holding therefore represented .168 per cent. of the issued capital. One of his objections to the purchase of his shares compulsorily by the transferee company was a procedural objection turning on the wording of Section 209 (1), quoted above.

The terms of a proposal for amalgamation of the two companies were communicated to shareholders by circular dated February 11, 1955. The offer by the transferee company contained in the circular was conditional on its being accepted on or before March 4, 1955, or such later date as should be agreed by the Boards of the two companies, in respect of not less than ninety per cent. of the issued capital of the transferor company. The offer was accepted by over ninety-eight per cent. of the holders of the shares in the company. In due course the transferee company served on the applicant a notice pursuant to Section 209 that they desired to acquire his shares on the terms of the offer contained in the circular. He contended that the notice served on him was not a notice given pursuant to a scheme or contract to which Section 209 applied, because to be within that Section the offer to acquire shares must remain open for a fixed period of four months. The question was one of construing the words "within four months after the making of the offer" in Section 209 (1).

The basis of the applicant's contention was that these words denote a fixed period during the whole of which the offer must remain open, and not a maximum period. In support, reliance was placed on the Canadian case of *Rathie v. Montreal Trust Co. & B.C. Pulp & Paper Co., Ltd.* (1953, 2 S.C.R. 204). On somewhat similar wording in the Companies Act of 1934 of Canada, the Supreme Court held that the offer must remain open for four months. There were two reasons for this decision. First, the presumed intention of Parliament to provide a sufficiently long period in which the shareholders might make investigations. As one of the Judges put it: "I cannot think that it was contemplated that the offeror might limit the period within which the offeree might make these inquiries in such manner as might suit his convenience. If the time for acceptance might be limited to two weeks, it might, of course, be limited to a much shorter period and afford the shareholders a wholly inadequate opportunity to make such inquiries as they saw fit to make before deciding upon the acceptance or rejection of the offer". The second reason for the decision was that the statutory postponement of the right to proceed by notice against the dissenting shareholder until after the expiration of the period of four months would otherwise hardly make sense.

This Canadian decision was not binding on Wynn-Parry, J., in the English case but he examined it and treated it with the greatest respect. Further, he bore in mind what was said by the Judicial Committee of the Privy Council in *Trimble v. Hill* (1879, 5 App. Cas. 342, 345):

> Their Lordships would not have felt themselves justified in advising Her Majesty to depart from the decision in *Diggle v. Higgs* (1877, 2 Ex. D. 422) unless they entertained a clear opinion that the construction it had given to the proviso in question was wrong, and had not settled the law; since in their view it is of the utmost importance that in all parts of the empire where English law prevails, the interpretation of that law by the courts should be as nearly as possible the same.

Nevertheless, it was incumbent on Wynn-Parry, J., to construe Section 209 of the Companies Act of 1948 for himself, bearing in mind that a provision equivalent to sub-Section (2) does not appear in the Canadian Companies Act. The sub-Section provides that when nine-

tenths in value of the shares have been transferred to the transferee company it shall within one month from the date of transfer give notice of that fact to the holders of the remaining shares. Then, within three months from the giving of the notice those shareholders may require the transferee company to acquire the shares.

In the light of the English authorities Wynn-Parry, J., felt considerable difficulty in attributing to the English Parliament the intention of providing a fixed period of four months during which an offer must remain open in order that shareholders might have an opportunity of investigating the merits or demerits of the offer. Nor did he think that the circumstance that the exercise by the transferee company of the right to proceed by notice against the dissenting shareholder was by the Section postponed for four months was conclusive of the construction of the preceding phrase, "within four months after the making of the offer," although he agreed that it was a consideration to be borne in mind.

Maximum but not Continuous Time Limit

The critical phrase, "within four months after the making of the offer," as it stands in Section 209 was analysed in the following way. First, construing the phrase by itself, Wynn-Parry, J., would have said that it indicated not a fixed period to the end of which the offer must remain open, but a maximum period during which the event contemplated, namely, approval of the offer by the holders of not less than nine-tenths in value of the shares, must occur, if the right of the transferee company to acquire the shares of a dissentient shareholder is to arise. To say that something must be approved within four months appears to allow any date within that period to be fixed for such approval. This construction appears to be borne out by a consideration of the rest of the Section. There are four somewhat similar periods mentioned in the Section.

Firstly, there is the phrase in sub-Section (1): "within two months after the expiration of the said four months." Secondly, there is the phrase, also in sub-Section (1): "within one month from the date on which the notice was given." Thirdly, there is the phrase in sub-Section (2) (a) "within one month from the date of the transfer." And fourthly, the phrase in sub-Section (2) (b): "within three months from the giving of the notice." It will be observed that in each of these four phrases the period is a maximum period during any moment of which the event contemplated might occur. In the light of this Wynn-Parry, J., thought that it would be odd indeed if the first phrase of all had to be construed in a different sense as describing a fixed period until the expiration of which one must wait in order to see whether the event contemplated has or has not occurred.

The matter does not end there. The critical moment for ascertaining whether the obligation thrown on the transferee company under sub-Section (2) (a) has arisen cannot possibly be the expiration of a fixed period but must be that moment of time when the condition is fulfilled, namely, that as a result of a transfer of shares in the transferee company, the transferee company, taking into account shares in the transferor company already held or acquired by it, holds ninety per cent. or more of the issued share capital of the transferor company. But that is an event that may well occur so early within the four months' period mentioned in sub-Section (1) that the other period of one month mentioned in sub-Section (2) (a) may expire before the expiration of the period of four months first mentioned in sub-Section (1). It follows, therefore, that the only satisfactory way in which to construe the phrase in question in sub-Section (1) is as a phrase which describes a maximum period.

On any view it is hardly possible, Wynn-Parry, J., thought, to regard Section 209 as entirely satisfactory in its language. On the view that he favoured, for example, it is difficult, as he admitted, to see why the right of the transferee company to serve notice to acquire the shares of a dissentient shareholder is postponed until the expiration of the period of four months. But in view of the above-mentioned considerations, it appeared to his Lordship impossible to treat that postponement as decisive of the construction of the phrase "within four months after the making of the offer" in sub-Section (1). Further, those considerations appeared to him, when construing Section 209, as opposed to Section 124 of the Canadian Companies Act of 1934, to prevent the introduction of the implied intention which some of the judges in the Canadian case attributed to the Canadian Parliament. Accordingly, it was held in the English case that it was competent to the transferee company to fix a period within but shorter than the four months, during which the offer must be accepted. Hence the notice given to the applicant was a valid notice.

Quotation of Shares for Purposes of Transfer

Another point discussed in the recent case concerned the financial terms of the offer made by the transferee company. In the circular making the offer there was a paragraph reading: "The middle market quotation on the Stock Exchange, London, for the shares of Adamant on the day prior to the announcement of the proposed amalgamation was 25s. The middle market quotation for the shares of your company on the same day was 10s. 9d. On February 3, 1955, the quotations were 27s. 6d. and 13s. 3d. respectively." It was agreed that on the basis of the middle market quotation there would be a paper profit to shareholders of the company of 1s. 9d. per share. But according to the evidence, if reference was made to the markings for shares in the company on December 9, 1954, the day before the announcement, the paper profit was reduced to 1s. 4d. Therefore, it was argued that it was misleading to take the middle market quotation.

The middle market quotation was the middle price between 24s. and 26s., the prices between which the jobbers were prepared to do business. The markings represented dealings appearing in the *Stock Exchange Daily Official List*, which the jobbers or brokers concerned recorded. They are not, however, bound so to record their dealings. Wynn-Parry, J., said that the test of the price of share markings affords an incomplete and very possibly misleading guide. The middle market quotation

affords a much sounder guide, particularly when an estimate of the value of shares on two different dates is desired to be made. There may, of course, be circumstances in which the middle market quotation may not be a satisfactory guide; but no such circumstances were shown to exist in *Re Western Manufacturing (Reading), Ltd.* In their absence it was held that the middle market quotation should be taken as the reliable guide, in preference to markings.

[*Concluded.*]

Accounting In and For Management

Some 600 people attended a conference on Management Accountancy held by the British Institute of Management and the British Productivity Council last month. The conference was for accountants in business and practice and for all ranks of management. Much of the value of a conference of this kind lies in informal discussion, but many informative and stimulating papers, covering a wide range, were formally presented. We give summaries of some of these papers.

The Contribution of Accounting in Business Planning

MR. W. F. EDWARDS, F.S.A.A., Director and Treasurer to General Motors Ltd., delivered a paper on *The Contribution of Accounting in Business Planning*.

Mr. Edwards blamed accountants for their general neglect until recent years of the important service of management accounting. Accountants had been too much occupied with taxation and the Companies Acts. If the accountant provided data promptly, and if management had the right attitude of mind, the productivity of the assets could be increased. Then more stable employment and better pay could be offered to employees, whose enhanced interest would improve the quality of output. Increased profits should result.

For current planning, Mr. Edwards insisted that short-term accounts must be compiled within 15 days of the end of the period covered. Normally monthly accounts of the over-all operation of the business would suffice, but for some of its operations, "accounts" or reports would have to be prepared daily or weekly. On the other hand for some long-term operations like shipbuilding or bridgebuilding, the accounts could be quarterly. Accuracy would be difficult to attain, but with experience accounts that were accurate enough for their purpose—to aid current planning in the business—could be prepared. Immediate attention must be secured to any adverse features revealed by these accounts.

The accountant should produce a precis of the complete short-period accounts for top management, and should send to each departmental manager the appropriate supporting schedule: the accountant should see that his colleagues received only those portions of the short-term accounts that were of direct interest to them individually.

Regular use of short-period accounts would facilitate the completion of an annual budget, on the principles explained by Mr. Edwards in his paper at the Management Accounting Course of the Society of Incorporated Accountants in 1952 (obtainable from the Society, price 2s.). The budget was a "trial run" of net sales and costs and of the trading and profit and loss account and balance sheet for an ensuing financial period, which Mr. Edwards thought should be a year. The foundation of the budget was estimated net sales and to prepare it, one had to assess: (*a*) the conditions in the period; (*b*) the contemplated general plan of operating the business; (*c*) net sales and unit selling prices; (*d*) expenses, and their division into fixed and variable expenses; (*e*) unit costs—material, direct labour and overheads; (*f*) the rate of stock turnover and length of credit on sales; (*g*) contemplated major capital expenditures and their effect upon capacity.

The budget, in effect, constituted enforced planning by all executives of the business. Standards would have been established against which actual performance could be measured. It might be necessary to "change course" during the budget period, and it was quite permissible to do so.

Past data were of use only as a guide to what to avoid or improve in the future. Regular forecasts should be compiled of operating results and balance sheets for the current and some following months. The forecasts should be based upon current experience and outlook, not on budget standards: their variance from those standards showed how management was departing from the objectives previously established. Early knowledge of a variance did not necessarily call for criticism, but it enabled early remedial action to be taken.

A special study should be made in the form of a fixed assets budget whenever any addition to fixed assets was contemplated, and this should cover the use of the existing assets of that category as well as of the proposed additions. It might be found that a complete change of system would give better service and reduce the cost per £100 of net sales. Too many proposals for capital expenditure were rejected because they were not properly presented on an annual, as well as on an initial, cost basis. It was important that there should also be a second study, reviewing the actual results after new assets had been in use for a representative period.

Taxation should never be considered until decisions had been reached on operating considerations. Only then should the accountant consider the taxation aspect, and make supplemental recommendations if necessary.

Standard costs and other improvements in accounting procedures could be very useful, but were less important than a right approach to the full use of existing accounting data.

Too often it was asserted that a re-

vision or overhaul of accounting procedure was necessary before any benefits could be obtained. But it would often be found that they were obtainable if the existing accounting data were fully used.

The Organisation of the Accounting Service

Mr. J. F. Body, A.C.A., Chief Accountant of Newton, Chambers & Co. Ltd., defined the accounting service as the recording in figures of the business. In his view the service could be effective only if it followed the organisation structure of the company; but, whatever this structure, it was essential that the whole of the accounting service should be under the functional control of the chief accountant.

A large mass of data must be refined, sifted, sorted and summarised, until there finally emerged the balance sheet and profit and loss account. In this process all other accounting and cost statements should have been produced as a matter of routine.

The accuracy of the accounts depended on (*a*) correct entering of facts on original documents, and (*b*) correct recording of those entries in the books. The accounts should be fully integrated, the same basic records serving both financial and cost accounts.

The system should show the allocation of all expenditure to the individuals responsible. Code numbers on original documents should indicate this, as well as the nature of the expense. Expenditure should be collected by type in control accounts, to show the cost of each type to the whole company, before being reallocated by department or process.

Time was vital. The lower level reports would be available first, and action could be taken on these before the monthly operating accounts were completed. A comprehensive timetable should be drawn up by the chief accountant for the preparation of accounting statements, and if a central mechanised accounting section served various departments of the concern, he should control the priorities of the service provided.

The system must contain safeguards against fraud.

Mr. Body then described two types of organisation, centralised and decentralised, with the accounting system appropriate to each. He found that the centralised organisation, a functional one with each senior executive directly responsible to the managing director, was usually more economical in staff and easier to control, but suffered from the disadvantages arising from remoteness from the works manager. Accounting and statistical information would be exchanged between the sales, purchases and general works managers, on the one hand, and the chief accountant, on the other hand. All accounts and final costs would be prepared by the central accounting department and sent by the chief accountant to the managing director and the general works manager. The chief accountant's department might well be organised in the following sections: (*a*) ledgers, (*b*) costs, (*c*) financial, (*d*) mechanised accounting and (*e*) internal audit.

In the decentralised organisation, each autonomous division had its own accountant directly responsible to the general manager but functionally responsible to the chief accountant. The divisional accountant was responsible for all accounting records and statements for his division, including monthly trading accounts and cost statements, budgets and forecasts, wages calculations (up to the gross wage stage), stores records and stock control, purchase journal, plant books and credit control. General overheads and centrally controlled expenditure would be allocated to the divisions by the chief accountant's department. That department would maintain a nominal ledger containing a control account for each department or cost centre in addition to the normal nominal accounts—for example, wages and purchases. The chief accountant's department would be sub-divided into the following sections: (*a*) ledgers, (*b*) financial (maintaining the private and nominal ledgers and having responsibility for the accounts of the company as a whole), (*c*) mechanised accounting, (*d*) accounting and methods research (including mechanised and electronic accounting), and (*e*) internal auditing.

Centralised accounting offered the advantages that it was usually more economical in staff, gave greater opportunity of mechanisation, could be more easily controlled, could be more easily operated to a strict timetable, and simplified the training of the accounting personnel. Its disadvantages were that it might lead to delays in presenting information, its remoteness from the works might cause works managers to make insufficient use of the accounting service and it gave less opportunity for subsidiary accountants to display initiative.

Usually the form of organisation was, nevertheless, more or less dictated by the organisational structure of the company itself or by such factors as the nature of the business or geographical considerations. Where there could be an element of choice, Mr. Body personally favoured decentralised accounting, recognising, however, that the advance of mechanisation and electronic accounting involved greater centralisation of the recording and analysis of basic data, including preparation of payrolls, wage analysis, recording of stock and the like.

Measuring the Profitability of Products

Mr. H. Hodgson, F.C.A., in a paper on this subject, observed that, in view of the variability of costs and selling prices, the profitability of a product should be measured by deducting its standard cost from its standard selling price, the result being the standard profit. Care must be taken to see that standards were reasonable.

Standard costing and budgetary control would reveal variances of actual from standard costs. Mr. Hodgson analysed these variances. In principle, a manufacturer should not ask a customer to accept prices loaded to cover costs which by good management could be avoided; but prices should be adjusted as opportunity offered to reflect any significant and permanent changes outside his control.

Any selling price was divisible into three elements: variable cost, fixed cost, and profit (mark-up). Fixed cost and profit, together described as the "contributory margin," were the significant elements in determining profitability. At a volume of turnover higher than the standard, additional profit was earned, corresponding to the over-recovery of fixed expense. If turnover fell below the standard level, the mark-up was progressively dissipated, till below break-even point losses were incurred. The contributory margin as a percentage of selling price was thus a simple index of relative profitability per £ of sales, and could be used for salesmen's commission. If the "mix" of products sold was different from that forecast in the budget, profitability would be affected by the differing proportions of contributory margin, even if the total value of sales was equal to the budgeted value. Contributory margins were more satisfactory than marginal costing as an indication of the minimum prices at which orders could be taken in competition. At no time should orders be taken at prices yielding less than the full contributory margin if they ousted orders yielding the full margin or if they made it difficult to obtain the full price in future.

The time-honoured procedure of

fixing prices by adding a percentage to total cost would not bear examination.

Profit was justified as rewarding the owner of a business (*a*) for the use of his capital and (*b*) for the risk incurred. It should therefore be based primarily on the basic investment rate of interest on capital locked up in the business—today at least seven per cent.—with additions in accordance with the various risks attendant on the particular business. The complete calculation illustrated by Mr. Hodgson yielded three percentages to be based respectively on material cost, variable cost and fixed cost, the heaviest loading following on the fixed element (in accordance with the theoretical approach). The selling prices thus worked out yielded a bare return, and anything less would be an unjust sacrifice.

Accounting and the Control of Finance, Operations and Costs

Progressive increases in costs of all kinds and in competition, and the urgency that British industry should produce goods of the highest quality at the keenest prices, were emphasised by Mr. W. F. Dunnett, director of Brotherton & Co. Ltd., in introducing his paper on *Accounting and the Control of Finance, Operations and Costs*.

The key to control, said Mr. Dunnett, was the budgetary system, and the essence of any budget was reasoned anticipation based on the experience and current knowledge of the various executives. The management accountant, using estimates of sales, production and expenses prepared by all the departments, would show the anticipated revenue, expenditure and profit of the organisation, with detailed figures for each plant and for each unit produced. Top management must then accept the budget or make policy amendments. On the assumption that the budget and all standards were agreed by all concerned, the essence of control was a comparison, monthly or at other short and regular intervals, of actual performance against standard, with necessary corrective action for any deviations. It was the function of the accountant to present the facts, and of management to take action upon them.

This control was most effective on the expenditure side. The cost of raw materials, power and labour were normally constant for each unit produced, and management could have no greater stimulus to remedy defects than the realisation that their continuance would inflate costs of production. Expense items of other kinds were similarly susceptible to control, even if not to the same degree.

On a proposal for a new process, a new product, or the acquisition of new or improved plant, the accountant could provide management with information on which to decide on its adoption or rejection. Here again he must obtain the relevant details from the responsible executives and transform them into forecasts of costs, additional commitments and economies, and effect on profit. He could also project the revenue and expenditure for some time ahead and keep management advised on the liquid position.

Operational Research and Financial Management

Mr. Stafford Beer, production controller to Samuel Fox & Co., Ltd., defined operational research as the application of scientific methods where executives required descriptions, predictions and comparisons for the purpose of making decisions. In fields which, for lack of measures, had been abandoned to intuition, operational research could help by applying a system of probabilities.

Cost information was the basis of all financial management. Despite variety of machines and products, operational research could perform work of value in : (1) the creation and control of standard rates of output from which to "account by difference"; (2)the measurement and continual observation of material yields (output as a percentage of input); and (3) the reasonable allocation of overheads. In the multi-product business, operational research could "take out the variables" and could express all activities in terms of pure numbers. These indices could be kept under review by sampling and by probability control charts. From this system standard costs, and forecasts for production planning and budgetary control, were derived. The up-to-dateness and the accuracy of the forecasts were determined by the periodicity and size of the sample, which depended upon the cost the management was willing to pay for the service. But taken to its logical conclusion the system should produce large clerical economies compared with traditional systems.

Operational research could help in measuring the return on various forms of investment, and in deciding at what point an activity should be abandoned.

The amount of stock required, both initially and at each stage of production, was a question of probabilities on which intensive research was justified. As the flow of material through a works was interrupted at the various departments or machines, buffers of material were built up, their size being conditioned by (*a*) the extent to which it was important that the department or machine should not run out of work and (*b*) the reliability with which the previous department or process could meet a forecast of the arrival of the material. The same factors influenced the sizes of initial stocks, which were the buffers between the outside supplier and the business, and final stocks, which were the buffers between the customers and the business. This situation was identifiable in operational research as a "stochastic process", that is, a process in which at each point of interruption there existed a measurable pattern of probabilities representing, at any given moment, the chance of an input going into stock or an output being drawn from it, in which the cumulation of all the additions and subtractions—that is, the interactions occurring among the pattern of probabilities—was completely random. By mathematics, one could handle these stochastic processes, and thus determine the amount of stock to be held at each point for a given level of risk. At present, an electronic computer was needed, but simpler methods might be found: his company, Mr. Beer said, was constructing an experimental stochastic analogue machine.

Mr. Beer devoted the second part of his paper to a fuller consideration of the means of deciding the most profitable of a large number of possible production commitments into which a business could enter. Operational research had a technique to solve this question—linear programming—but it was difficult to understand and in practice required an electronic computer. These impediments should not deter one from examining the question, for computers could be hired and mathematicians employed. Mr. Beer therefore gave the conference an illustration of the methods used in linear programming, starting with a simple problem of "product-mix," and concluded by expressing the hope that the computers whose acquisition was being contemplated by large business for standard accounting and payroll procedures would be used also for the scientific treatment of high financial policy.

The Role of the Accountant in Increasing Productivity

The drive to increase productivity, in the view of Mr. F. E. Webb (joint managing director, George Webb & Sons (Northampton) Ltd.), must first come from the

Board of directors. The managing director must then enlist the help of the accountant and of the production or works director, and these three must inspire all within the concern.

The modern accountant must be master of a new approach to management. Management accounting covered the whole of the normal financial accounting functions and also the specialised work of cost accounting—budgetary control, standard costing, regular and up-to-date financial and statistical information, and forecasts and advice for the future.

A cost control system must show up the costs of inefficiency and produce estimates of minimum future costs so that competitive prices were quoted.

Information for management should be based on standard costing and budgetary control, indicating deviations from normal. The inauguration of standard costing involved a close study of almost every function of the business: this in itself often yielded valuable information. The budget depended on the accuracy of the sales forecast, on which were based forecasts of production, plant requirements, materials, labour, expenses and finance. It was useful to draw up a budget of the cash position for each month of the budget period. The budget should be modified during the period if necessary.

Recording Output and Costs of Production

Mr. W. Withers, of British Celanese Ltd., said that the title of his paper, *Recording Output and Costs of Production*, should be read as a whole: he was not dealing with two separate subjects. The recording of output, in its widest sense, was an integral part of the system for ascertaining and controlling cost. Both input and output must be recorded, preferably in terms of standard (or potential) quantities as well as actual. The recording system must provide the basis for arriving at costs, as well as supplying data for all other purposes (production control, calculation of incentive payments, work-study records and so on.) There was an essential chain in managerial control: its three links were work study, production control and cost control.

Output must be measured against input. Mr. Withers urged the more general adoption of a labour output record, giving details of each worker's times of starting and stopping each job, reasons for stopping and amount produced, with subsequent calculation of allowances and operative's performance, the individual records being finally summarised on a collective weekly statement. The additional work involved was very little after the system had been initiated, and reliable time records could be secured by supervision. Similar statements could be compiled for the utilisation of materials and machines, though materials utilisation was largely determined by the physical properties of the materials.

A standard based upon a poor present or past performance was not adequate as a standard or control for positive improvement. Work study could determine what should be attainable, and cost control could use this to evaluate inefficiency. But production control could plan only on a known achievement basis, and its standard might therefore have to be lower.

The three records showing utilisation of materials, labour and machines, formed the basis of a weekly cost control statement, and enabled continuous control to be exercised on variable costs. For quick control purposes it was not difficult to create standards for overhead items, and to ascertain actual figures quickly and simply.

The principles outlined were illustrated by statements appended to the paper.

Cost Control in the Small Firm

Mr. J. F. Keen, Chief Cost and Works Accountant to Adrema Ltd., pointed out that the size of a business did not affect the principles applicable to cost control problems. But in the smaller business the importance of finding a solution was less obvious, and it might be difficult to provide calculating machines and suitable staff for the work. The small business had, however, the advantage that control was in relatively few hands, and informal contacts could be as effective as the elaborate system of a mammoth business.

Usually it was best if all the accountancy work was combined in a single integrated system, capable of providing the annual final financial accounts and also the monthly or periodical accounts for internal control.

Accounting procedures must be introduced gradually, and understanding and co-operation by other executives established. It was regrettable that some senior managers were not interested in facts if they were unpleasant. The system must be sound to ensure confidence: a single integrated system was usually best. The desire for accuracy in internal control must not make the system expensively complex. A considerable degree of accounting skill was needed to attain cost control, covering all the activities of the business, with simplicity.

Formal presentation of accounts was needed for the Board of directors and for long-period purposes. But for day-to-day information, informality could provide efficiency at minimum cost.

The smaller concern must often select one aspect of cost control for full treatment.

Mr. Keen outlined at some length simplified systems for adequate control of stores, work-in-progress, labour (wages and efficiency), and overheads.

On stores control, he said that the number of items of stores might be numerous even for a small business. To keep a full perpetual inventory would be expensive, even with mechanical aids. More economical would be the keeping of cards giving quantities received, issued and in stock, without values being shown. The cards should be subject to a perpetual stores audit of physical quantities. A formal stores ledger in terms of quantity and value would not be kept. Valuation for all purposes would be on standard prices. Sectional control accounts of the various stocks would be maintained in the ledger and would provide financial control. Thrice yearly, the balances on the store cards would be extracted on stock sheets to check the control accounts. The stock sheets would be priced at standard prices: the totalled extensions would provide the check stock valuation, to be compared with the appropriate stores control account, any difference being written-off to stock shortage account. Receipts into stores from suppliers would be posted to the stores cards, and goods received notes married to invoices, which, on extension at standard prices, would form the charge to stores control account, any difference from the standard being transferred to a material price variance account. If the number of lines was limited, however, the full luxury of a bin card showing quantities, and a stores ledger showing quantities and values, was sometimes permissible.

Product costs were more conveniently handled on a standard than on an actual basis.

The right type of manager was especially important. Smaller businesses were weak in training: more time spent by managers in study of cost accountancy would be helpful. The best concerns in this country to-day were equal to any in the world in their internal accounting methods, but others (largely smaller businesses) were thirty years behind the times.

The Accountant's Progress

By ROY HOPKINS

IT STARTED ON the banks of the Nile. Here the accountant was born. Pensive priests had already dipped deeply into the mysteries of the number world. Firstly with astronomy and then, perhaps as a little sideline, with astrology.

But a few, more ambitious than those who preferred living in the shadows of the tombs, had other aspirations. An early Egyptian mace is known to exist, on which is recorded large numbers of prisoners taken, oxen, sheep and goats captured, with other lively details. This work of counting and listing was, no doubt, carried out by men appointed from the priestly corporations.

The Learned Fraternity of the Numerals

In 1400 B.C. we learn of a scribe, one Nebamen, who kept account of the corn of Amen, at Thebes. It was no doubt one of these skilled accountants who succeeded to the office of Lord High Treasurer, a very responsible position. To give him the correct title appertaining to his lordly office, we should address him as Lord High Treasurer of the Royal Treasury and House of Silver, the second part of the title being a reminder of the days when silver was preferred to gold.

Learned clerks prepared the estimates for materials used in the building of the Pyramids, and by this time had become skilled in keeping accounts relating to measurements and weights.

In Babylon the scribes had invented a most ingenious number system, having a base of 60. This has come down to us in our measurement for time—the 60 seconds of the minute, the 60 minutes of the hour.

Commercial Erudition at Athens

In Ancient Greece money was used in daily transactions. Money changers and bankers soon thrived and rose in influence. They were often called in by commercial men to advise them on the financial side of their commerce.

Although the Roman numerals were known later in Athens, the number system in use was formed from letters of the alphabet. Dealings however were carefully recorded and most men of affairs possessed an iron stilus pen.

In all, it may be said that the bankers of Athens bequeathed a rich legacy to Rome. One thing, a bright idea, of which Rome was very proud, was the chaste and simple number signs. These signs gave to the great city an advantage in account - keeping. They spread throughout Europe and were used in commercial transactions until well into the fourteenth century.

Accountants Should Study Cicero

The Roman orator Cicero has left behind some still pregnant remarks indicating the high regard the Romans must have had for accurate accounts.

Cicero declared that the custom of keeping a ledger was very desirable, because it was not wise for men to place trust in fleeting memoranda.

These are the words which the orator is said to have used: "He confesses that he has not this sum entered in his ledger but he asserts that it does appear in his memoranda. Are you then so fond of yourself, have you such a great opinion of yourself, as to ask for money from us on the strength, not of your ledger, but of your memoranda? To read one's account books instead of producing witnesses is a piece of arrogance; but is it not madness to produce mere notes or writings on scraps of paper?"

Moneylender to the King of England

In Britain, as on the Continent, the Roman numerals were keeping the commercial world in shackles. But some informative documents are still in existence to show that England was not lagging in the art of keeping and checking accounts.

In the Public Record Office in London, there is a parchment with a date close to 1160 A.D. relating to William Cade and Associates. In this document the accountant of the period records for William Cade and Associates a list of their debtors, drawn up with considerable powers of perception. This enterprising combination was lending money at interest to persons of all ranks from the King downwards, and it was most important to know who was trustworthy and who was not.

A Revolutionary Change

Another insight into account-keeping, this time from the fourteenth century in Britain, is revealed in records by monks who were heads of departments of Abingdon Abbey in 1381–84. Receipts followed expenses. If receipts exceeded outgoings, the total was carried forward as the first entry of accounts for the following year and was called "arrears." If there was a balance the other way, it was recorded as "surplus." Rather confusing to the modern mind; but, then, the terms "balance," "arrears" and "surplus" had not probably received a defined accountancy meaning (the cynic may ask whether the last term has yet received one!)

The most perplexing change which the man of accounts had to face was in the transition period when the dignified Roman numerals were being replaced by the new-fangled Hindu figures. Most merchants kept accounts in Roman numerals until about 1550, and in monasteries and colleges the Roman symbols were used until about 1660.

Scotland was ever to the forefront, however, for the St. Andrew's Chapters were using the Hindu numerals in 1490.

Encouragement from Martin Luther

Remarkable progress in accountancy had been made by the Middle Ages. Double entry book-keeping was practised in the thirteenth century and later, in 1494, Luca Pacioli, a friend of the great painter and inventor Leonardo da Vinci, wrote his inspiring book on the subject. This little classic has been reprinted and, although allowance must be made for the early date at which it appeared, a depth of knowledge is revealed in its pages.

Italian trade and shipping demanded men skilled in figures. The coming of printing provided a number of good and useful books dealing with commercial arithmetic. Even Martin Luther astonished the world of his day by insisting that every boy should be taught to calculate. So an impetus was given to those who wished to qualify for posts in the mercantile number world.

Early Visual Aids to Accounting

The masters of the number world had the calculating machines of their day at their disposal. The abacus was a good friend and the tally stick a faithful visual aid. Simple notched sticks were used in Europe for centuries and the use of the counting board was taught in schools. But few of these boards have survived the years. Stranger, is that stores of those tally sticks were responsible for the destruction by fire of the British Houses of Parliament early in the nineteenth century.

The Ledger of the Nation

In the sixteenth century a master accountant was born. A new light came to the West and the nations of Europe set about putting their houses in order. The Treasuries of the leading trading countries were alert to the importance of new ideas and it was chiefly owing to the influence of Simon Stevenus that the Dutch and French began revised methods of book-keeping in their national accounts. Stevenus lived from 1548 to 1620. Some advance thinking helped to bring about these reforms. The wider use of the decimal system, ruled columns for currencies and the zero sign made useful contributions. Stevenus was probably the first accountant in the modern sense of the word. But some differ on this point and prefer to think that the first accountant came from Venice, where a body of accountants had been formed in 1581.

Evolution of the Modern Accountant

In England, notwithstanding the difficulties caused by Cromwell's struggles, the accountant was making progress. The word "accountant" itself was creeping unobtrusively into the English language in the early seventeenth century. In England, the good Sir Thomas Browne, in his classic work *Vulgar Errours*, published in 1646, unkindly refers to "the false deduction of ordinary accountants" and Scotland claims the first practising accountant in the 1640's.

Looking back at the standing of the accountant in days gone by, it should be remembered that it was not easy to convince the proprietor of a business that the services of an accountant should be rewarded on a scale equal to other activities of the concern. As a result, writers tended to take a rather dismal view of account-keepers and book-keepers generally. Dickens refers to the "melancholy ghosts of departed book-keepers who had fallen dead at the desk."

Many of the unkind thrusts made at book-keepers by writers were perhaps on the truthful side. In centuries gone by the book-keeper was only too often a man who had failed in other walks of life. The job of keeping the books was frequently given to a poor relative, or handed over as a friendly gesture to a deserving person. Academies for training book-keepers were few and far between. Generally the atmosphere of a counting-house was one of gloom. These shadows might have been some mysterious legacy from the cloisters, for clerks or priests all through the centuries practised the art of figuring and as commerce became an important part of daily life it was from these learned *clercs* that the book-keeper and then the accountant evolved.

Accountants' Liability

DURING HIS recent tour of Australia, Sir Richard Yeabsley, Vice President of the Society of Incorporated Accountants, addressed the New South Wales Branch of the Australian Society of Accountants at a luncheon function in Sydney. He spoke on the implications of English common law on the accountant's liability for fraud or negligence.

Any person who told deliberate lies, misleading other people to their damage, would be liable to those parties, said Sir Richard, if an action were brought and it would not matter whether the parties were the clients of the person sued, or were third parties. It followed that if an accountant knowingly or recklessly made a false statement of fact intending other persons to rely on them and those persons, acting upon the statement, suffered damage as a result, the accountant would be personally liable in damages.

Whether a careless statement honestly believed, but lacking reasonable grounds for the belief, would in itself amount to fraud was settled in the well-known case of *Derry* v. *Peek* in 1889. It was then held that the absence of reasonable ground for believing the statement to be true was not conclusive proof of fraud, but only some evidence of it. In the case the defendants had mistakenly believed that what they had said was in substance true: they had not been recklessly indifferent about its truth. Consequently they were not liable in fraud. The lesson was that when an accountant gave an opinion he should be able to show that he had reasonable grounds for his opinion.

The famous case of *Candler* v. *Crane, Christmas & Co.* decided in 1951, continued Sir Richard, made it clear that no case would lie for an action in tort for merely negligent statements upon which a third party had relied. The practical effect of the case was that an English accountant owed a duty of care and therefore could be liable for negligent statements only to a person with whom he was in contractual relationship, normally his client. Sir Richard admitted that whether this state of affairs was entirely right, or, indeed, a happy one, was an open question, and that there would be some who would go a long way with the views expressed by the dissenting Judge (Lord Justice Denning) in the case. The American case of *The Commercial Investment Trust Financial Corporation* v. *Barrow, Wade, Guthrie & Co.* (1955) similarly established that the auditors in the case owed no duty of care to third parties and that their reports had not been negligently false or misleading, but if an auditor's report had been intended for the "primary benefit" of the third party and was negligently prepared, it would be open to an American Court to hold the accountant liable to the third party.

Yet, concluded Sir Richard, there was an obligation on the accountant other than the legal one. He had a moral obligation to the public and to those to whom he knew accounts would be presented—perhaps the Revenue authorities or his clients' bankers. The unique position of trust and responsibility occupied by the accounting profession meant that its members must ensure that the facts were displayed with frankness and fairness in all accounts and reports with which they were associated.

TAXATION

What is Trading?

By A. J. TURNER, A.S.A.A.

In ACCOUNTANCY *for July, 1955 (pages 257–264) and August, 1955 (pages 297–301) we reported the recommendations of the Royal Commission on the Taxation of Profits and Income, with brief discussions on a number of points. We now present the eighth of a series of more detailed commentaries on the major suggestions of the Royal Commission. The other articles in this series were:*

Enlightenment on Stock-in-Trade, *by C. D. Hellyar,* F.C.A., *August, 1955 (pages 301–4).*

Corporate Taxation, *by Frank Bower,* C.B.E., M.A., *September, 1955 (pages 341–4).*

Taxation of Income from Property, *by H. A. R. J. Wilson,* F.C.A., F.S.A.A., *October, 1955 (pages 379–83).*

Streamlining the Profits Tax, *by L. A. Hall,* A.C.A., A.S.A.A., *November, 1955 (pages 418–21).*

Benefits in Kind, *by H. A. R. J. Wilson,* F.C.A., F.S.A.A., *December, 1955 (pages 461–3).*

A New View on Oversea Profits, *by C. D. Hellyar,* F.C.A., *January, 1956 (pages 13–15).*

The Taxation of Capital Gains, *by A. R. Ilersic,* M.SC.(ECON.), B.COM., *March, 1956 (pages 91–93).*

IT IS A truism that income tax is a tax on income. It follows that what is not income is not taxable. Thus if a capital transaction produces a surplus, that surplus is not income and not within the scope of the taxing Acts. But it is not always easy to determine whether the transaction that produced the surplus was indeed of a capital nature, or whether it was in the nature of trade so as to make the surplus a profit assessable under Case I of Schedule D.

The question of what constitutes trading is nowhere answered in the Income Tax Acts themselves. "Trade" is defined by Section 526 (1) of the Income Tax Act, 1952, as including "every trade, manufacture, adventure or concern in the nature of trade" but this, being more an amplification that a definition, is of but little help. The distinction between a capital transaction and a trading transaction is sometimes so fine that a large number of the many income tax cases that the Courts have been called upon to decide has been concerned with the question. From these decided cases has grown over the years a fund of case law; from this case law, and the provisions of the Income Tax Acts themselves, general rules can be drawn and tests adduced to distinguish between income and capital receipts. But it must always be remembered that the decisions of the Courts were arrived at on all of the facts of the particular cases. To apply a decision to an instance in which the facts are not identical, even if differing only slightly, may mislead rather than help.

For this reason, no clear-cut and infallible line of demarcation has yet been drawn between capital and revenue. Indeed, what is clearly a capital receipt in one set of circumstances may be equally clearly an income receipt in only slightly different circumstances.

The Royal Commission, in rejecting by a majority a tax on capital gains, expresses approval of the distinction between a non-taxable gain on a realisation of capital and a taxable profit on a transaction in the nature of trade. The Commission therefore examines the question, to clarify, if possible, the existing law on the subject—thereby to ensure, in the words of the majority report, that the distinction is capable of being given effect to with reasonable certainty in its application to actual cases.

Isolated Transactions

There is a quite widely held view that a surplus arising from an isolated or casual transaction is not taxable, and this view seems to persist in spite of several Court deci-

sions to the contrary. These decisions date from the early nineteen-twenties, and in fact at the time of the Royal Commission on the Income Tax, in 1920, it was generally accepted that casual profits were outside the scope of the taxing Acts. It may have been this interpretation that led the Commission of 1920 to express the opinion that a transaction in which the subject matter was acquired with a view to profit-seeking should be brought within the scope of the income tax.

Amongst the cases resulting in the taxation of a casual profit cited by the recent Royal Commission are *Ryall* v. *Hoare* (1923, 2 A.T.C. 137), where commission in consideration of guaranteeing a bank overdraft was assessed; *Lyons* v. *Cowcher* (1926, 10 T.C. 438), where a single underwriting commission was held to be assessable; and *Rutledge* v. *Commissioners of Inland Revenue* (1929, 8 A.T.C. 207), where a bulk purchase and sale of paper was held to be a trading transaction. These and similar cases have established beyond doubt that the true test is whether the transaction is an adventure in the nature of trade, and not whether it is isolated or unrepeated.

The problem is more complex if some transaction is entered into which is neither clearly of a capital nature nor clearly of a revenue nature, but which is so related to the ordinary business carried on as to make it difficult to determine whether or not it is a part of the normal trading. Such an isolated transaction must be one of three things: part of the normal trade, an adventure in the nature of trade although not part of the ordinary trading, or a capital transaction. If the transaction is the first of these things, the profit arising from the transaction is included in the ordinary Case I assessment of the profit of the business; if it is the second, the profit is assessed as being of a separate trade; and if it is the third, the profit is not assessable, being a capital gain. These three possibilities may each of them be illustrated by decided cases.

Firstly, in *Gloucester Railway Carriage and Wagon Co. Ltd.* v. *Commissioners of Inland Revenue* (12 T.C. 720), the business of the company was the manufacture of railway wagons both for sale and for the purpose of hiring out. Wagons previously hired out were sold, and the company contended that the sale was one of fixed assets, the surplus arising therefrom not being taxable. The surplus was, however, held to have arisen in the course of the ordinary business of the company.

Secondly, in *Benyon and Co. Ltd.* v. *Ogg* (7 T.C. 125), the company acted as brokers and agents for collieries, and in the normal course of its activities purchased railway wagons on behalf of its customers. The company purchased wagons on its own account for resale by it, and it was held that the profit on this transaction was assessable as deriving from an adventure in the nature of trade.

Thirdly, in *Dunn Trust Ltd.* v. *Williams* (29 A.T.C. 195), the company in 1940 purchased shares from the managing director as an investment. At that time, dealing in shares was not a part of the business of the company, but three years later its business was extended to include share dealing, and in 1944, 1945 and 1946 it sold at a profit some of the shares it had purchased from the managing director. The Court held, reversing the decision of the General Commissioners, that the sales of these particular shares were realisations of investments, and not share dealing transactions on which the profit would be assessable. The basis of the judgment, briefly, was that whereas the General Commissioners had found as a fact that the shares were acquired as investments, there was no evidence that they had subsequently changed that character so as to become part of the stock-in-trade of the business.

A Single Test

The Royal Commission, having accepted the principle that a surplus on a capital transaction should not be taxed, and being disturbed by the evident fact that the lack of precise definition makes for lack of uniformity in the treatment of different cases, not unnaturally considers whether some simple single test to distinguish between capital and income transactions could be propounded.

First considered is the suggestion of the Royal Commission of 1920 that the test lay in whether the profit-seeking motive was present. There are two main objections to this test. It involves establishing what was the intention at the time of acquisition—a task which is more than likely to present difficulty. Also transactions now regarded as capital ones would fall within the definition and become taxable. The Commission cites the instance of an investor who may be influenced in his choice of shares in which to invest by the expectation of a rise in their price; under this rule their sale would be held to be a taxable transaction as being entered into with a view to profit.

Because of these disadvantages, the Commission rejects the test, holding that the field of taxation is not well suited for enquiries involving the ascertainment of motive, and supporting the theory expressed by Lord Buckmaster in *Leeming* v. *Jones* (15 T.C. 333): "An accretion to capital does not become income merely because the original capital was invested in the hope and expectation that it would rise in value."

A test founded on motive having been found unsatisfactory, the Commission, bearing in mind the importance of simplicity, examines the possibility of basing a rule on time, by making taxable a profit arising from a realisation made within 12 months from the acquisition of the asset. Simplicity would certainly be achieved if the rule continued to the effect that realisations after the expiration of 12 months were, for that reason, capital transactions, but this would amount to an invitation to postpone realisation so as to avoid taxation. Further, not all admittedly trading transactions can be completed within 12 months. On the other hand, if the rule were not so extended, realisations after 12 months would not be covered by the test, and its usefulness would thereby be limited. In any event, one of the disadvantages of the "motive" test is even more evident in the "time" test—the danger that a *bona fide* capital transaction will be caught. Not a few capital realisations take place within 12 months of acquisition; forced realisations may be a case in point, or one could again instance the investor who changes his investments.

The Commission is forced to the conclusion that there is no single rule which can be simply and equitably applied: that the only true test, in spite of its difficulties of application, is whether or not the transaction is an adventure in the nature of trade, whether, in the words of the majority report, it bears any of the "badges of trade." Having reached that conclusion, and in order to reduce the danger of lack of uniformity of treatment in different circumstances as far as possible, the Commission lays down six points which it regards as being the major considerations bearing on the identification of an adventure in the nature of trade.

These six points are (1) the subject matter of the realisation; (2) the length of the period of ownership; (3) the frequency or number of similar transactions by the same person; (4) supplementary work on or in connection with the property realised; (5) the circumstances that were responsible for the realisation; (6) motive. It is worthy of note that two members of the Commission in a reservation to the majority report express a fear that the too literal interpretation and too rigid application of even these general rules would lead to wrong decisions in particular cases. Particularly do they have misgivings on the third point, which, if taken on its own and applied as a rigid rule, could certainly produce most inequitable results. The six points, however, with the reservation that none of them amount to fixed rules, are in fact a useful summary of the existing law.

The Six Points

The Subject Matter

Clearly, there are some commodities that cannot be the subject of investment, and a purchase of such commodities would almost certainly be with a view to re-sale at a profit—a trading transaction. In fact, it can be said that, normally, an asset that, while it is in the ownership of the purchaser, does not produce an income or yield to the purchaser enjoyment or pride of possession is rarely purchased for a purpose other than trading.

If the commodity involved in a transaction is of such a nature or in such a quantity that it is not reasonable to suggest that its purchase was for investment or the purchaser's own use, the presumption is that the purchase was made for resale at a profit and that the transaction was in the nature of trade. Lord Normand expressed this in *Commissioners of Inland Revenue* v. *Fraser* (21 A.T.C. 223), as follows:

> A man may purchase land with a view to realising it at a profit, but it may yield him an income while he continues to hold it. If he continues to hold it, there may be also a certain pride of possession. But the purchaser of a large quantity of a commodity like whisky, greatly in excess of what could be used by himself, his family and friends, a commodity which yields no pride of possession, which cannot be turned to account except by a process of realisation, I can scarcely consider to be other than an adventurer in a transaction in the nature of a trade . . .

Length of Ownership

It is perhaps true to say that, with exceptions, a purchase followed within a short time by sale is more likely to be a trading transaction than a capital transaction, and the converse may also be true. But the exceptions are numerous, and this test, taken alone, is only likely to be of material use when the period between purchase and sale is either very long or very short. This is a test that, in itself, can rarely be conclusive, but can help in forming an opinion in conjunction with other considerations.

Frequency of Transactions

It is obvious that the greater the number of times similar transactions are repeated, the greater the presumption that a trade is being carried on. Basically, trading consists of the continual repetition of similar transactions: the man who buys and sells rare stamps on the scale of a dealer is carrying on a trade, the man who sells his stamp collection is realising a capital asset.

Two Court cases involving repeated transactions are *Smith Barry* v. *Cordy* (25 A.T.C. 204) and *Pickford* v. *Quirke* (13 T.C. 251). In the first case the taxpayer purchased a number of policies of endowment assurance on the lives of other people, intending to hold them until maturity. The policies were so selected that the scheme would provide him with £7,000 a year, but as things turned out the scheme was not proceeded with, and after a few years the majority of the policies were sold at a profit. The Special Commissioners, having regard to the number of transactions and to the existence of a definite scheme, held that the taxpayer was engaged in the exercise of a trade and the profits were assessable. Their decision was reversed in the Kings Bench Division, but restored by the Court of Appeal.

In the second case the profit arose through a transaction involving the purchase of the shares of a company, and the subsequent sale by that company of all its assets. This transaction was carried out four times with different companies, and the Court held that the profits arising were assessable. The case is an interesting one from the point of view that any one of the transactions, taken by itself, would not have attracted an assessment, but repetition was sufficient to make the transactions as a whole the carrying on of a trade. It is also noteworthy that the taxpayer entered into each transaction with different associates, but it was only his share of the profit that was assessed, the Revenue abandoning attempts to assess the share of profit of his various associates.

Supplementary work

There is a strong presumption that if a commodity is purchased, subjected to some process and then sold, a trade is being carried on. Such is the essence of trading. The presumption exists equally if something is done to put the commodity into a more marketable condition, or to make the marketing of it easier—for example, breaking down a bulk purchase into small lots for sale to the public—and similarly if special efforts are made to find buyers. In *Martin* v. *Lowry* (6 A.T.C. 123), a bulk purchase of linen was sold to the general public in small lots: one indication that the transaction was an adventure in the nature of trade was that a selling organisation was set

up and the goods were advertised for sale to the general public.

In effect, this test amounts to a consideration of the manner in which the transaction is carried out. If it is carried out in the same manner as ordinary trading in the subject matter would be done, this can be strong evidence that it is in the nature of trade. On the point Lord Clyde said, in *Commissioners of Inland Revenue* v. *Livingstone* (6 A.T.C. 597):

> I think the test which must be used to determine whether a venture such as we are now considering is, or is not, in the nature of trade, is whether the operations involved in it are of the same kind, and carried on in the same way, as those which are characteristic of ordinary trading in the line of business in which the venture was made.

The Circumstances Responsible

The test here is to look to the motives of sale. Like the second test, this test is in itself not as directly conclusive as some of the other tests may be; it is, nevertheless, taken with the other circumstances of the case, a useful indication of the nature of the transaction. The view of the Commission is that if the sale were virtually forced, then in all probability it does not form part of a trading transaction.

If assets have to be sold so as to provide money to meet an emergency—for instance, the necessary repayment or reduction of a bank loan or mortgage, or the necessity to introduce fresh working capital into the taxpayer's business—then the prime motive behind the sale is not profit-seeking or dealing, but realisation of assets for a specific purpose. If there is a very definite purpose underlying the sale of assets, that purpose is undoubtedly a relevant consideration.

Motive

The Commission rejects this test as a sole test, not because of unsoundness, but because it is considered that if taken by itself as a rigid rule, it is likely to result in injustice, as well as being difficult of application. Nevertheless, the Commission points out that motive can never be an irrelevant consideration, given that it can be established, and that it should be clearly realised that motive can be inferred from the circumstances of a case in the absence of direct evidence. If it can be established that throughout the whole period covered by the transaction, commencing with the purchase and ending with the sale, the sole motive has been the eventual sale at a profit, then there can be little doubt that the transaction is an adventure in the nature of trade.

Fact or Law

Until recently, the question whether a transaction was or was not in the nature of trade was generally regarded as very largely a question of fact. The Commissioners hearing the appeal would find as a fact on the evidence that the transaction was, or was not, in the nature of trade. That finding, unless erroneous on a point of law or one which there was no evidence to support, being one of fact, could not be reversed by the Courts, however strongly they disagreed with it.

Possibly this apparent lack of jurisdiction of the Courts added to the misgivings of the Royal Commission on whether the same tests were being applied and the same weight given to those tests by all of the various bodies of General Commissioners hearing appeals. In the words of the Commission, "such appeals depend on a delicate balance of facts and we think that it would be more satisfactory that they should be dealt with regularly by one body of Judges."

The object of the Royal Commission is, of course, to secure equality of treatment to all cases, and it is to this end that one of their recommendations is:

> In order to promote consistency in the imposition of liability on profits from isolated transactions in the nature of trade all appeals in this field should be heard by the Special Commissioners.

The case of *Edwards* v. *Bairstow and Harrison* (34 A.T.C. 198), was decided by the House of Lords on July 25, 1955. The Report of the Royal Commission was signed on May 20, 1955. It is interesting to speculate whether, if *Edwards* v. *Bairstow and Harrison* had been decided earlier, the misgivings of the Commission would have been somewhat allayed and their recommendation would have taken any different form. For *Edwards* v. *Bairstow and Harrison* has produced virtually a new conception; it is no longer possible to say that the question is ever purely one of fact on which the decision of the Commissioners is final. An examination of the various judgments in the case is instructive: those of the lower Courts exemplify the view previously held whilst that of the House of Lords invalidates it.

Briefly, the case concerned the purchase of a cotton spinning plant and its sale in five separate lots. The General Commissioners held that the transaction was isolated and not taxable, and the case came to the High Court before Mr. Justice Upjohn, who remitted it to the Commissioners for them to consider whether the transaction, although isolated, was nevertheless an adventure in the nature of trade. In the course of his judgment, Mr. Justice Upjohn said:

> It has been held in the Court of Appeal in *Cooper* v. *Stubbs*, that a finding as to whether a trade is or is not being carried on is a finding of fact which is binding on the Court.

and, also:

> It seems to me that I am clearly bound to treat the question whether or not this transaction was "an adventure in the nature of trade" as one purely of fact.

The Commissioners found that the transaction was not one in the nature of trade, and the case once more came to the High Court, this time before Mr. Justice Wynn-Parry, who held that he was unable to disturb the finding of fact made by the General Commissioners. The Court of Appeal found themselves in the same position. Sir Raymond Evershed, in the only judgment, commented on recent Scottish cases, which appeared to have departed from the accepted view on the question, but felt that if there had arisen a divergence ("a certain independence of spirit north of the Tweed, which has been noticed in our

history before"), it was for the House of Lords to bring the two sides together; he felt bound by the authorities. He concluded his judgment:

> It is also clear that there is not, upon the face of the case stated, any such clear and material (or indeed any) misdirection in law, which would entitle the appellant successfully to impugn the relevant finding. For these reasons I think that we are bound to hold that the conclusion of the General Commissioners here is a finding of fact, which the Courts cannot disturb.

The House of Lords gave detailed consideration to the power and duty of the Courts in an appeal against the decision of the Commissioners on a question of fact. The conclusion reached may be summarised by two quotations; the first is from the opinion of Viscount Simonds.

> To say that a transaction is or is not an adventure in the nature of trade is to say that it has or has not the characteristics which distinguish such an adventure. But it is a question of law, not of fact, what are those characteristics, or, in other words, what the statutory language means. It follows that the inference can only be regarded as an inference of fact, if it is assumed that the tribunal which makes it is rightly directed in law what the characteristics are.

The second quotation is from the opinion of Lord Radcliffe:

> When the stated case comes before the Court, it is its duty to examine the determination having regard to its knowledge of the relevant law. If the stated case contains anything *ex facie* which is bad law, and which bears upon the determination, it is, obviously, erroneous in point of law. But, without any such misconception appearing *ex facie*, it may be that the facts found are such that no person acting judicially and properly instructed as to the relevant law could have come to the determination under appeal. In those circumstances, too, the Court must intervene. It has no option but to assume that there has been some misconception of the law, and that this has been responsible for the determination. So there, too, there has been an error in point of law. I do not think that it much matters whether this state of affairs is described as one in which there is no evidence to support the determination, or as one in which the evidence is inconsistent with and contradictory of the determination, or as one in which the true and only reasonable conclusion contradicts the determination.

The position, then, following *Edwards* v. *Bairstow and Harrison*, is broadly that the question can be described as a mixed question of law and fact: a decision of the Commissioners may be upset by the Courts if the Commissioners have not properly directed themselves in law in arriving at their inference from the facts brought out in evidence.

Building Society Interest

THE EFFECT ON income tax liability of the receipt of building society interest can be confusing.

For surtax and for surtax only it has to be treated as a net sum and grossed up, e.g. an amount of £50 interest is included in surtax total income at £86 19s. 2d. so long as income tax is 8s. 6d. in the £.

For income tax, the actual amount received has to be included in total income but no income tax can be reclaimed on it nor is any payable on it. For the purposes of Sections 169 and 170 of the Income Tax Act of 1952, however, the interest is treated as having been brought into charge to tax.

Illustrations (In each case the total income is disclosed):

	£	£
(1) Earned income		1,000
Building society interest (B.S.I.)		50
		1,050
Brought forward		1,050
Less National Insurance contribution (N.I.C.)	17	
Bank interest	80	
	—	97
Total Income ..		953

Earned Income Relief (E.I.R.) can be given only on £953, the B.S.I. covers the N.I.C. and the bank interest.

	£	£
(2) Earned income		1,000
B.S.I.		50
		1,050
Less N.I.C.	17	
Loan interest	80	
	—	97
		953

E.I.R. can be given on £953, because the B.S.I. is regarded as covering £50 of the Loan Interest.

	£	£
(3) Earned income		500
B.S.I.		50
		550
Less N.I.C.	17	
Loan interest	620	
	—	637
Section 170 Assessment		87

Income tax is payable at the standard rate on £500 — £17 = £483 and on the Section 170 assessment, £87, i.e. £570 at 8s. 6d. = £242 5s. 0d. and recouped on £620 at 8s. 6d. = £263 10s. 0d., leaving £21 5s. 0d. in hand.

Building Society interest, as part of total income, affects also old age relief and the maximum deduction for life assurance relief under the "one-sixth of total income" rule.

Illustration (4) Total Income £520 of which £50 is B.S.I. Married man over 65.

	£	£
Total Income		520
Less Age relief 2/9ths of £520 = ..	116	
Personal relief	240	
B.S.I.	50	
	—	406
		114

	£	s.	d.
£60 at 2/3 =	6	15	0
54 at 4/9 =	12	16	6
Tax Liability	19	11	6

(5) Had the total income in (4) above been £640 (all unearned):

	£	£	s.	d.
Total income	640			
Margin	40 × 3/5 =	24	0	0
	600			
Less Age Relief 2/9ths of £600 ..	134			
Personal relief	240			
B.S.I.	50			
	— 424			
	£176			
£60 at 2/3 =	£6 15 0			
116 at 4/9 =	27 11 0			
		34	6	0
		58	6	0

(6) Total Income £600 (unearned) (Including £50 B.S.I.)
Life assurance premiums total £120.
Married man, no children.

	£	£
Total Income		600
Less N.I.C.	17	
Personal relief	240	
Life assurance 2/5 × 1/6 × £600	40	
B.S.I.	50	
		347
Taxable Income		253

In calculating the effective rate of United Kingdom income tax for double taxation relief, B.S.I. is ignored, since no income tax is payable on it. Surtax is payable on it, however, and it is therefore included at a gross equivalent in the total income in calculating the effective rate of surtax.

Illustration (7) Married man; one child eligible for relief; life assurance premiums £220.

	£	£
Earned Income		900
Ordinary Dividend from oversea company, as declared (actually paid less 15 per cent. withholding tax)		200
U.K. Dividends		4,100
B.S.I.		120
		5,320
Less Loan interest		300
(*a*) Total income for calculating maximum life assurance premiums		5,020
Less B.S.I.		120
(*b*) Total income liable to income tax		4,900
Less N.I.C.	11	
Earned income relief	200	
Personal relief	240	
Child	100	
		551
		4,349

	£	s.	d.
First £360	93	0	0
£3,989 at 8/6	1,695	6	6
	£1,788	6	6

Income Tax Rate $\frac{£1,788.325}{4,900} = 7/4$

Note. Both (*a*) and (*b*) will be increased by (*c*) below in calculating full liability but not effective rates.

	£
Total Income as above (*a*)	5,020
Add Income tax to gross up B.S.I. £120 × $\frac{8\frac{1}{2}}{11\frac{1}{2}}$	88
Total income for surtax	5,108

		£	s.	d.
Surtax: £2,000		—	—	—
500 at 2/–		50	0	0
500	2/6	62	10	0
1,000	3/6	175	0	0
1,000	4/6	225	0	0
108	5/6	29	14	0
		542	4	0

Surtax rate $\frac{£542.2}{5,108}$ = 2/2

Total effective rate 9/6

It is announced that the overseas company has paid tax at 35 per cent. on its profits.
True gross overseas dividend

£200 × $\frac{100}{65}$ = £307 13 10

		£	s.	d.
Oversea rate:				
£307 13 10 at 35 per cent.	=	107	13	10
200 15 per cent.	=	30	0	0
307.692		137	13	10
Say		9/–		

The tax credit is therefore £137 13s. 10d.
The oversea income for tax becomes £307 13s. 10d.

(*c*) The total income liable to income tax and surtax is increased in each case by £107 13s. 10d.
Tax can now be recomputed, giving effect to life assurance relief and deducting the tax credit.

Taxation Notes

Dividend Vouchers

By Section 199 of the Income Tax Act, 1952, every warrant, cheque, etc., drawn in payment of a dividend must have annexed to it or be accompanied by a statement in writing showing:

(*a*) The gross amount which after deduction of the appropriate income tax, corresponds to the net amount actually paid; and

(*b*) The rate and the amount of income tax appropriate to such gross amount; and

(*c*) The net amount actually paid; and

(*d*) Where appropriate, the net United Kingdom rate of tax.

In practice the Revenue also require a certificate that tax on the profits of the company is being paid. This should read:

I hereby certify that income tax on the profits of the company, of which profits this dividend forms a portion, has been or will be paid to the proper officer for the receipt of taxes (and that the company's net United Kingdom rate of tax—see back— is . . shillings . . pence in the £).

The words in brackets are omitted where inappropriate and the words "see back" are omitted where the note regarding the net United Kingdom rate is on the front of the voucher.

Some companies still use the inappropriate certificate to the effect that the tax deducted has been or will be duly accounted for to the proper officer. This is appropriate for interest on loans but not for dividends.

Where a net United Kingdom rate has to be shown, the Revenue like the following memorandum to appear on the voucher:

By reason of double taxation relief, the net United Kingdom rate of tax payable by the company is . . s. . . d. in the £. Under Section 350 of the Income Tax Act, 1952, tax is deductible by the company from this dividend at the full standard rate of . . s. . . d. in the £, but the rate at which any relief or repayment due may be allowed to a shareholder is limited to the net United Kingdom rate.

Where the payment is stated to be "free of tax," the gross equivalent and the appropriate tax must still be shown. The second sentence of the note can be suitably re-worded.

It would be helpful all round if companies could be persuaded to standardise the size and style of dividend vouchers!

Many companies show the exact details required by the Section for each dividend. Others print tables from which the appropriate figures can be obtained by a little arithmetic. An extreme instance we have seen gives the gross amount, income tax deducted and net amount for £1 to £5, for £10, £20, £30, £40, £50, £100; for each hundred up to £500, and so on. It is doubtful if this type of voucher conforms to the exact terms of the Section. And it can be very irritating.

The rate of tax to be deducted is the standard rate, except where the Revenue have authorised provisional relief for double taxation on a dividend from an oversea company.

Budget Representations Again

The Institute of Taxation has submitted its Budget representations to the Chancellor of the Exchequer. They may be summarised:

(1) There should be a further incentive to save, in the form of an entirely new issue of National Savings Certificates, stated quite clearly as not liable to income tax or surtax, bearing a stated rate of interest (at least 4 per cent. and possibly higher). The certificate should be capable of being encashed at any time with interest to the date of repayment. A free certificate should be issued on completion of the holding of every ten certificates of the new issue. They should not be encashable in the meantime. Post Office and other Savings Bank interest should be exempt up to £15 a year.

(2) Earned income allowance should operate up to a total earned income of £3,000, as recommended by the Royal Commission on the Taxation of Profits and Income.

(3) The exemption limit for surtax should be increased from £2,000 to £3,000, with more careful graduations.

(4) The proposals of the Royal Commission on the subject of retirement

benefits should be implemented without delay.

(5) All assessments under Schedule D should be brought on to an actual basis, if necessary in two or more stages.

(6) The penal Section 468, Income Tax Act, 1952, dealing with the transfer of business abroad should be repealed. It is a deterrent to the setting up in the United Kingdom of the headquarters of new enterprises.

(7) The excessively high level of petrol tax should be reduced.

Reports on the Reports—I. By the F.B.I.

The Federation of British Industries has issued a memorandum entitled *Comments by the Federation of British Industries on the Final Report of the Royal Commission on the Taxation of Profits and Income, with an Appendix on the Report of the Second Tucker Committee.* (Price 2s. net from the Federation.)

The Federation is in agreement with the principles underlying the majority of the proposals of the Commission and the two Tucker Committees although it differs on some questions of detail. As an example of such a difference the Federation feels that the taxpayer should have the right to average his income over three years if he can show that his total income for any year was not more than 30 per cent. of his total income for the previous year. The 30 per cent. compares with the 50 per cent. suggested by the Commission, and the period of three years compares with one of two years suggested by the Commission.

On the question of compensation for loss of office, the Federation is of the opinion that the recent decision of the House of Lords that compensation for the loss of annual income should have regard to the tax which would have been paid on the income, takes away the possibility of avoidance of tax on compensation sums. It suggests that retirement benefits are not likely to be disguised as compensation payments in future and can be dealt with in the manner suggested in the Report of the Committee on the Taxation Treatment of Provisions for Retirement (the second Tucker Committee). It also suggests that compensation sums should be calculated broadly net of tax and should not be taxable on the recipient.

The Report points out that in discussing the depreciation of wasting assets the Commission offers no solution to the problem of the changing value of money. This problem the Federation considers at some length. It is stated to be a matter of great regret to industry that on this major question, which the Federation claim was probably the principal reason for its appointment, the Commission has side-stepped the real issue by taking as its general premise "that there will not be any marked decrease or increase in the purchasing power of money in the United Kingdom." The Federation regards this as completely invalidating the Commission's report on the question and argues that there is an adequate answer to each of the reasons advanced by the Commission for continuing to base depreciation allowances on historical costs, except the one point of complexity.

The Federation disagrees with the conclusions that losses should be set off against non-business income for one year only, pointing out that there is no real distinction between losses in the technical sense and capital allowances. Relief for both should receive the same treatment by being carried forward and set off against non-trading income indefinitely.

It also pleads for the abolition of any distribution charge for profits tax, emphasising that the contingent liability is now assuming enormous proportions for many companies.

The Federation welcomes the report of the Second Tucker Committee. It recommends that some body should be set up to hear appeals from decisions of the Board on the matters dealt with, indicating that the Board of Referees would be suitable if additional appointments were made of persons specially qualified to deal with the subjects. There is also comment upon various detailed aspects of the report, in general advocating more flexibility.

—II. And by the A.B.C.C.

The Association of British Chambers of Commerce also issues a booklet on the reports (*Taxation of Profits and Income—Views of the Association of British Chambers of Commerce concerning the Royal Commission and the Millard Tucker Reports,* price 1s. net from the Association). The Association welcomes the great majority of the recommendations of the Royal Commission but it feels that there are some subjects on which further thought is necessary. Comment is made on the recommendations in question. These recommendations include the taxation treatment of provisions for retirement, the recommendation of the Commission that the combined incomes of husband and wife should continue as one unit for taxation, the disincentive to the higher income earners, charities, fluctuating income, benefits in kind, personal expenses, compensation for loss of office, post-cessation receipts, stock valuation and other items.

The Association finds it difficult to follow what it was that obliged the Commission to make the assumption it did regarding the problem of computing profits when the purchasing power of money is persistently diminishing. The conclusions on fixed assets and stocks, based on the assumption that values and prices are relatively stable, are criticised as not a very helpful contribution to the solution of the problem when the public for whom the report is written know full well that the assumption does not hold. The Association regards it as reasonable and practicable to exclude the inflationary element in computing profits. On the question of corporate profits, the Association regards anything over and above the standard rate of income tax to be double taxation. The broad approach of the Royal Commission to the rules of Schedule E is welcomed. The Association feels that the replacement cost theory is the more logical and the fairer system of providing for depreciation of wasting assets. It is stated that there is no justification for discriminating in the amount of the investment or initial allowance among different types of assets or among industries. On the question of losses it is considered that losses

and capital allowances are both parts of the same loss and should be carried forward and set against future income, including income from other sources.

It is pointed out by the Association that it would seem to be reasonable to provide an appellant on request with information of the decisions of the Special Commissioners relevant to his appeal in an anonymous form and under obligation not to publish the information. He would then be in a position to decide whether to carry his appeal to the Courts, knowing that the Special Commissioners would normally decide his case consistently with any previous decisions thay had made.

The conclusion of the Commission that full codification of the law is not feasible is received by the Association with regret.

Franked Investment Income

A company received a dividend, stated to be a capital dividend, paid out of a capital profit made by a United Kingdom company in which the first company holds a substantial interest. The Inspector of Taxes regarded this as a capital receipt and, therefore, not income for any purpose. On the point being submitted to the Chief Inspector, however, the accountant's view that the dividend must be treated as franked investment income was upheld. This followed from the decision in *C.I.R. v Reid's Trustees* (30 T.C. 438), where trustees held shares in a company incorporated and carrying on business in South Africa. The company paid a dividend out of capital profits. It was decided that although such a profit was not assessable under Case I of Schedule D, any payment from it to shareholders was a distribution of profits unless it were by way of an authorised reduction of capital, and the dividend was therefore an income receipt under Case V. What may be capital in the hands of the payer may yet be income in the hands of the payee. Although a shareholder in an United Kingdom company cannot be directly assessed to income tax on dividends, the dividends remain income.

As a result of the dicta in *The Butterley Co. v C.I.R.* (1955, 34 A.T.C. 64) it seems that the dividend would not now affect the profits tax computation at all unless it could be regarded as part of the profit arising from the trade of the company.

Clitas

Release No. 30 dated February 24, 1956, of the *Current Law Income Tax Acts Service* deals with the extract from the statement made by the Chancellor of the Exchequer on February 17, 1956, regarding the withdrawal of investment allowances for capital expenditure becoming due and payable after that date. There are two classes of exception:

(1) where a definite contract has already been placed for the purchase or construction of capital assets; and
(2) in respect of capital expenditure on the construction of ships and on scientific research assets.

The necessary legislation will be contained in the Finance Bill.

Higher Interest on Tax Reserve Certificates

From February 29 last tax reserve certificates of the seventh series issued under the terms of the prospectus of July 8, 1955, bear interest at 3 per cent. per annum free of tax. The interest on certificates of the seventh series before February 29 remains unchanged.

Recent Tax Cases

By W. B. COWCHER, O.B.E., B.LITT.

Income Tax

Divorce—Order for maintenance of £52 per annum "free of tax" to be payable weekly—By agreement £4 6s. 8d. paid monthly into wife's banking account by husband's standing order—Subsequent claim that the order required the husband to pay at the rate of £1 16s. 4d. per week—Provisions as to small maintenance payments—Effect of order—Income Tax Act, 1952, Sections 169, 170, 205, 206, 207.

Jefferson v. Jefferson (C.A. November 30, 1955, T.R. 321) arose out of a faulty order made by a Divorce Court Registrar. The parties were divorced on January 4, 1952, and an order for maintenance was made "at and after the rate of £52 per annum free of tax . . . payable weekly." The wife's solicitors suggested and it was agreed that the husband should give a standing order to his bankers to pay £4 6s. 8d. per calendar month into the wife's account. The payments had been made regularly; but, three years later, the wife's solicitors claimed that the amount ought to be not £1 a week as they had originally asked but £1 16s. 4d., a gross sum which less tax at 9s., the then standard rate, left £1 free of tax. The husband had refused to increase his standing order to £7 17s. 7d. per month and the wife's solicitors had then taken out a judgment summons claiming that as from the beginning payment should have been made upon this principle and that the husband had made default to the extent of £88 12s. 5d. The County Court Judge had upheld the wife's contentions, ordering payment of the arrears with costs at the rate of £5 per month. The Court of Appeal, Denning, L.J., dissenting, affirmed his decision.

By Section 25 of Finance Act, 1944—now Sections 205–207 of the Income Tax Act, 1952—the method of taxation at the source was abandoned for "small maintenance payments" made under the order of any Court in the United Kingdom. It was not disputed that in any

event the payments to be made under the order before the Court were covered. The payments made under such an order were made assessable upon the recipient under Case III of Schedule D, whilst the payer was to be entitled to deduct the amount of his payments in computing his total income for assessment purposes. In other words, for tax purposes the amount was notionally excised from the taxable income of the payer and made the taxable income of the recipient; and the question was what was to be done under the terms of an improper order.

Denning, L.J., held that the principle established in *In re Pettit* (1922, 2 Ch. 765) and all the cases which followed it applied just as it did to the bequest of an annuity free of tax, with the result that the order should be regarded as one for payment of such an amount as after deduction of her tax liability under Case III of Schedule D would leave the recipient with a net sum of £1. As the husband had no means of calculating this amount, a judgment summons, which, Denning, L.J., said, had to be for a sum certain, should not in his opinion have been issued against the husband, with the result that the appeal ought to be allowed. Both Hodson, L.J., and Morris, L.J., were of opinion that on the authorities the £52 free of tax was such a sum as after deduction of tax at the current standard rate left a net amount of £52 and that the *Pettit* principle was inapplicable. It was suggested by the former that if it was thought that the wife was getting too much the husband's remedy was by way of application for a variation of the order. The only comment to be made upon the case is that, seeing the dispute was a genuine one, that the order apparently also puzzled the Revenue, and the whole muddle was due to the mistake of a Crown servant, on grounds of equity the whole of the costs necessarily incurred should have been borne by the Crown.

Income Tax

Child allowance—Two or more individuals claiming allowance in respect of same child—Apportionment by Commissioners—Whether husband entitled to apportioned part—Income Tax Act, 1940, Section 24.

Aitken v. Aitken and C.I.R. (Court of Session (Inner House) December 9, 1955, T.R. 337) arose out of double claims, by husband and wife respectively, in respect of child allowances for their five children for the years 1949/50, 1950/51 and 1951/52. The husband had carried on for some years a public house in Glasgow, which he transferred to his wife in 1947 and in subsequent litigation was found to have been given to her. In December, 1949, the parties separated, the wife and the five children leaving the family home. After the separation, the husband had contributed nothing to the upkeep of the children and the wife maintained them out of moneys belonging to her. The husband had made very occasional minor gifts to the children. The General Commissioners had apportioned the allowances as from the date of separation, 60 per cent. to the wife and 40 per cent. to the husband; and it was suggested by the Lord President (Lord Clyde) that they might have taken into the account that the wife was maintaining the children out of what was once the husband's assets. The Court was unanimous that the whole of the relief as from December, 1949, should be awarded to the wife. In agreeing, Lord Russell said that there was "no single fact relevantly stated showing that the husband in any way contributed during the periods in question to the maintenance of the children."

Income Tax

Trade—Agency—Summary termination—Sum received as compensation—Whether a trading receipt—Income Tax Act, 1952, Schedule D, Case I.

C.I.R. v. David C. Macdonald & Co. (Court of Session (Inner House) December 8, 1955, T.R. 331) was on familiar lines. The respondents had received £1,000 in 1952 following the summary termination of a contract of agency whereby they received a percentage commission on orders obtained for a company, A. Carlton & Co. Ltd. The agreement was subject to one year's notice on termination; but on December 31, 1951, the company notified the respondents that they would cease to represent them in any capacity with effect from that day and that no commission would be payable on deliveries made after that date. Respondents had claimed one year's commission in lieu of notice, also commission on all orders already received but not completed on December 31, 1951. A sum of £1,000 had been finally paid in settlement; and the General Commissioners had held that it was a capital payment and not a trading receipt. A unanimous Court reversed this decision.

Prior to the cancellation the commission mentioned formed a very material part of the commission side of respondents' business. In addition, they carried on the business of selling castings and other metal products. The General Commissioners in their Case had made no finding that the structure of the business had been affected by the cancellation, and the Lord President (Lord Clyde) said that their findings did not justify the Court in regarding the agreement in question as anything more than what the Lord President (Lord Norman), in *Kelsall Parsons & Co. Ltd.* v. *C.I.R.* (1938, 17 A.T.C. 87; 21 T.C. 608), had described as one of those

> temporary and variable elements of the company's profit-making enterprise.

If so, he said, the General Commissioners were not entitled to find as they had done. The circumstances in the case were very similar to those in *Wiseburgh* v. *Domville* (1955, 34 A.T.C. 244; T.R. 259), noted in our March issue at page 97; and the decision of the English Court was to a similar effect. All such cases are marginal in the sense that each has to be considered in the light of its own special facts.

Income Tax and Surtax

Effect of income tax and surtax on damages.

The decision of the House of Lords in **British Transport Commission v. Gourley** [1956] 2 W.L.R. 41 was reported in Legal Notes on page 105 of our March issue.

Sur-tax

Transfer of assets whereby income payable to persons resident or domiciled abroad—Settlement by father—Settlement by mother revoked—General residuary bequest by mother—Whether rights acquired by settlement—Whether rights acquired by will—Wills Act, 1837, Section 14—Finance Act, 1936, Section 18—Finance Act, 1938, Section 28.

Bambridge v. C.I.R. (House of Lords, December 8, 1955, T.R. 293) was noted in our issues of October, 1954, at page 396, and February, 1955, at page 67. Appellant was the daughter of Mr. and Mrs. Rudyard Kipling. The issues—there were two of them—were whether certain financial transactions were caught by the provisions of Section 18 of the Finance Act, 1936, as amended by Section 28 of the Finance Act, 1938. The object of these enactments was to stop the evasion of surtax by means of transfers of assets whereby income became payable to persons resident or domiciled abroad, either as the result of

the transfers alone or in conjunction with "associated operations" as defined in Section 18(2). In December, 1933, Mr. and Mrs. Kipling had sold to Kamourarka Investments Ltd. (hereinafter called "K"), a Canadian company, all their Canadian and U.S.A. investments of which they were beneficial owners in consideration of shares and debentures in "K". In January, 1934, Mr. Kipling had made a revocable settlement by which the income of his "K" shares and debentures was to be paid to him for life, and then to his widow for life, and after that to the appellant for her life with remainders over. Mrs. Kipling had, in January, 1934, made a similar revocable settlement of her "K" shares and debentures. Mr. Kipling had died in 1936 without revoking his settlement; but Mrs. Kipling, who died in 1939, had revoked hers in June, 1937.

On December 6, 1938, Mrs. Kipling had made a will under which by a general residuary bequest the appellant obtained a first life interest. There was no specific reference to Mrs. Kipling's shares and debentures in "K"; but, at her death in 1939 without revoking or altering her will, she was still possessed of the bulk of them. No claim under Section 18 had been made by the Revenue for any year prior to 1948/49. In May, 1948, however, the House of Lords had held in *Congreve v. Congreve* (1948, 27 A.T.C. 102; 30 T.C. 163) that Section 18 applied notwithstanding that the taxpayer sought to be charged was not a party to the transfer. The Special Commissioners in December, 1952, had dismissed an appeal against assessments upon her for 1948/49 and 1949/50; but in June, 1954, Harman, J., whilst dismissing the appeal in so far as it related to the "K" shares and debentures of Mr. Kipling, allowed it in so far as Mrs. Kipling's "K" shares and debentures were concerned, holding that, there being no specific reference to them in the will, the will could not be said to have been made "in relation to" any of the assets transferred. Both sides had appealed; and a unanimous Court of Appeal, whilst affirming the decision of Harman, J., in regard to the income of the appellant under her father's settlement, had reversed it as regards her income under her mother's will, thus restoring the Special Commissioners' decision. A unanimous House of Lords agreed with the Court of Appeal, Lord Cohen delivering the only speech.

The leading judgment in the Court of Appeal had been given by Jenkins, L.J., and Lord Cohen said that on the points dealt with by him he was content to adopt his reasoning. It was, he said, clear that in the words of that judge:

> (1) An interest in remainder, or, for that matter, a contingent interest, given by settlement is given by means of the settlement and not by the happening of the event which brings the interest into possession or, as the case may be, fulfils the contingency.
>
> (2) I fail to see how a will which disposes of property can reasonably be said not to have been made "in relation to" the property of which it disposes; nor can I see any justification for distinguishing between property specifically disposed of and property comprised in a residuary gift, and holding that the will related to the former and not to the latter.

The first citation was, Lord Cohen said, sufficient to dispose of the argument relating to the father's settlement, whilst the combined effects of the two citations was, but for two new points raised, sufficient to dispose of the argument concerning the appellant's interest under her mother's will. The first of these points was that:

> the will was not and could not be an "associated operation", because it could be revoked, and even while unrevoked had no operative effect during the lifetime of the testatrix.

He was, he said, unable to accept the view that pending death of the testator a will was not "an operation of any kind" in relation to the assets comprised thereon. The fact that until that event happened it was impossible to be sure what assets would be affected he held to be immaterial. Referring to Section 24 of the Wills Act, 1837, he said that the will was an operation effected by the testator in relation to the assets ascertained on death, and if, as in the case, those assets included assets transferred or assets representing such assets, it necessarily followed that the will was an "associated operation" within Section 18(2).

The second new point was that

> the appellant's power to enjoy the income of "K" was derived not only from the will but also from the probate thereof,

and, as probate was done by the High Court and not by any person, it could not be an "associated operation". Referring to the authorities relied upon by Counsel for the Crown, Lord Cohen held that, although an executor could not rely on his title in any Court without production of the probate, the latter was merely a matter of evidence and not of title, the appellant's power to enjoy the income depending on the will and not on the probate of that will.

Surtax evasion on a vast scale was responsible for Section 18 of the 1936 Act, and, had the decision in the case been otherwise, a defect of potential importance would have been revealed.

Surtax

Incapax (i.e. incapacitated person)—Curator bonis—Curator's commission—Auditor's fee—Whether these deductible in computing total income—Trusts Act, 1884—Trusts (Scotland) Amendment Act, 1834, Section 2—Judicial Factors (Scotland) Act, 1889, Section 13—Trusts (Scotland) Act, 1921, Section 2—Conveyancing (Scotland) Act, 1938, Section 1.

C.I.R. v. David McIntosh as Curator Bonis for Stanley James McNullard (1955, Court of Session (Inner House), December 8, 1955, T.R. 333) arose out of the claim by a *curator bonis* appointed by the Court that in computing the total income of the *incapax* for surtax purposes there should be deducted the curator's commission for administering the estate based on the revenue collected and the Accountant of Court's fee as auditor, the two together amounting to £89 2s. 6d. The Special Commissioners had allowed the claim upon the ground that by virtue of Section 2 of the Trusts (Scotland) Act, 1891, the curator was a trustee for his ward in the full sense, namely, that the ward had been divested of his estate, which was administered by the respondent as a trust under the Section. A unanimous Court reversed their decision. As the Lord President (Lord Clyde) said, the question essentially turned upon the legal effect of the Court's appointment of the curator. If divestment had taken place so that the income of the estate had ceased to be the ward's income and all he was entitled to was the net proceeds after all the expenses, including those in question, had been paid, then the respondent succeeded under *Murray* v. *C.I.R.* (1926, 5 A.T.C. 607; 11 T.C. 133) and *Macfarlane* v. *C.I.R.* (1929, 8 A.T.C. 227; 14 T.C. 532). If, upon the other hand, the curator was in the same category for the present purpose as an agent or factor appointed by a *capax* to manage his affairs and ingather his estate, although in the case of an *incapax* the Court had to make the appointment because of his incapacity, then the claim failed, the payments in question being similar to and having to be treated like the committee's remuneration and the lunacy percentage in England, *Committee of A.B.* v. *Simpson* (1928, 7 A.T.C. 222; 14 T.C. 29) and *C.I.R.* v. *Sneath* (11 A.T.C. 53; 17 T.C. 149). After consideration of relevant Scottish legislation his Lordship found

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that it did not either expressly or impliedly convert the estate into a trust estate nor convert the *incapax* into a beneficiary of a trust. The curator remained, he said, as he always was, the manager of the estate, the whole income of which was still the ward's income. Lords Carmont and Russell agreed with the Lord President, whilst Lord Sorn delivered an independent judgment which reached the same conclusion.

The principle established in these cases is, of course, double-edged in operation. In *Murray* and *Macfarlane* it reduced the amount of tax repayable, whilst in *Committee of A.B., Sneath* and the present case it increased the amount of tax payable. If the legal positions in the two groups of cases had been reversed, the opposites would have been the respective consequences for taxation purposes.

Estate Duty

Valuation of shares—Company under the control of not more than five persons—Company controlled by deceased—Gift of shares to trustees of voluntary settlement—Death of donor within three years—Method of valuing shares deemed to pass—Finance Act, 1894, Sections 1, 2, 5, 7 (5)—Finance Act 1940, Section 55.

In re Hall (House of Lords, December 19, 1955, T.R. 315) was noted in our issues of October, 1954 (page 397) and February, 1955 (page 69). The dispute was on the method of valuation for estate duty purposes of certain shares in a private limited company. The deceased had formerly owned 2,951 shares out of a total issued capital of 5,514 shares and was, therefore, in control of the company. On July 27, 1942, he had made a gift of 400 of these shares to the trustees of a voluntary settlement; and he had died on September 30, 1943, well within the minimum period of three years which a donor had then to survive in order that duty on the gift might be avoided. It was not disputed that by virtue of Section 2 (i) (c) of the Finance Act, 1894, duty was payable in respect of the 400 shares mentioned; and it was also not disputed that the company was one within the mischief of Section 55 of the Finance Act, 1940, whereby the principal value of its shares had to be estimated by reference to the net value of the assets of the company and not upon the "open market value" under Section 7 (5) of the Finance Act, 1894. The issue was whether the Section 55 basis applied to the 400 shares; and, seeing that on this basis the shares were estimated to be worth £92, as compared with an open market value estimated at £22 10s. per share, and that the 400 shares were aggregable with the rest of the estate for estate duty, a large amount of tax was involved. It was not disputed that the shares in the company held by the deceased at the time of his death fell to be valued under Section 55 on the assets basis.

The commencing words of Section 2 (1) of the Finance Act, 1894, are "Property passing on the death of the deceased shall be deemed to include . . ." whilst Section 55 (1) begins "Where for the purposes of estate duty there pass on the death of a person . . ." The contention put forward upon behalf of the trustees of the settlement and of the deceased's legal personal representatives was that the words "there pass" in Section 55 (1) meant an actual and not a notional passing. As Jenkins, L.J., said in the course of his judgment in the Court of Appeal, the question was whether Section 55 should properly be regarded merely as a new valuation Section applying a special method to property within a specified description or as amounting to a completely new departure in estate duty legislation imposing something in the nature of a new liability. Upjohn, J., in the Chancery Division, after a careful analysis, had held that the natural meaning of the opening language of Section 55 was apt to include property that actually passed under Section 1 of Finance Act, 1894, and also property that was deemed to be included by virtue of Section 2 (1), and had declared accordingly. His decision had been approved by a unanimous Court of Appeal, Jenkins, L.J., giving the only judgment. This judgment had been very cautiously worded. He said that if Section 55 had to be regarded as imposing a new tax or a new and distinct liability of some sort then, even though such a Section were incorporated in the general body of estate duty legislation, the Court might very well hold that the expression "property passing on a death" must be given its primary and narrow meaning. As it was, he held that the initial words of Section 55 made it "reasonably plain" that they covered any kind of passing, actual or notional, that attracted estate duty. Whilst, therefore, he was "as at present advised" disposed to treat the Section as a pure valuation Section, he said he preferred to refrain from a concluded opinion on the point.

The decision of the Court of Appeal was unanimously affirmed in the House of Lords, Lord Morton of Henryton and Lord Radcliffe making the only speeches, Lords Tucker and Porter agreeing or concurring in the dismissal of the appeal, and Lord Cohen specifically agreeing with Lord Morton's reasoning. Lord Morton said that counsel had put forward three propositions—firstly, that the 400 shares did not "pass" in the ordinary sense, secondly, that in the absence of the words "for the purposes of estate duty" the words "pass on the death" would not apply to the 400 shares, and, thirdly, that these words did not have the effect of bringing the shares within Section 55. His Lordship said he accepted the first proposition, whilst, as regards the second, counsel had conceded that in general Sections of the Act, the words were generally construed to include property "deemed to pass" by virtue of Section 2 (1). Lord Morton rejected the contention that Section 55 imposed a "supercharge" and, holding that the question whether the 400 shares would be caught but for the words "for the purposes of estate duty" did not arise for decision, he said it was in his view simply a valuation Section and was in substance a rider or proviso to Section 7 of the 1894 Act, with which it had to be construed. Finally, he held that the words "for the purposes of estate duty" resolved any doubt, and made it clear that Section 55 applied equally to property passing and "deemed to pass."

Lord Radcliffe's speech was, in effect, a minority opinion, and, as so often happens with such opinions, was more interesting than any other. He had no doubt but that the appeal ought to be dismissed and said that his sole reason for saying more than Jenkins, L.J., had said in the Court of Appeal was that he thought the rejection of the appeal was more soundly based on the general relation of Section 55 to the system of the 1894 Act, of which the Section had been made a part, than upon the use of the words "for the purposes of estate duty." The duty, he said, was not charged upon two different classes of property, one "passing" and the other "deemed to pass." It had never been disputed that the excluding provisions of Section 2 (3) applied to all property whether it passed under Section 1 or under that Section as enlarged or interpreted by Section 2 (1), the result being that Section 1 alone imposed the charge to estate duty. He agreed that Section 55 was a valuation Section alternative to Section 7 (5) and not a charging Section like Section 5, which imposed an additional and supplementary duty in exchange for a resulting exemption. The remainder of his closely-reasoned speech was to deny

unequivocally the validity of what has become almost an axiom, although others have questioned it. In *Earl Cowley* v. *C.I.R.* (1899, A.C. 198) Lord Macnaghton said of Sections 1 and 2: "The two Sections are mutually exclusive," whilst, in *Attorney-General* v. *Milne* (1914, A.C. 765), Lord Haldane said "Section 2 . . . is an independent Section operating outside the field of Section 1," although, as Lord Radcliffe showed, the latter in *Nevill* v. *C.I.R.* (1924, A.C. 385) had given a substantially different explanation of the relationship. Declaring that the decision in the present case was not in conflict with *Cowley* and *Milne*, he concluded his speech by saying that the most that could be said was that it left unexplained exactly what Lords Macnaghten and Haldane meant by the passages quoted above; and he thought that they might be safely resigned to the "list of the many minor mysteries of the 'law'." The ordinary man, untroubled by theories about infallible Courts, will wonder what mystery there can be about such clear and unequivocal passages.

Publications

The Electronic Office. By R. H. Williams, A.I.B. Pp. 63. (*Gee & Co. (Publishers) Limited:* 15/- net.)

AS EXPLAINED in the foreword, this small book is intended to help the ordinary business man to an understanding of electronic applications in the office and is a non-technical summary of the present state of development of computers.

A short chapter describes types of work considered suitable for computers. In a later chapter some actual applications are described—such as payroll work, invoicing and the tea-shop job on LEO. Fuller implications might have been illustrated by a more advanced example with integrated data processing.

The author's personal experience of banking must lend authority to two chapters detailing a system of centralised account-keeping which, it is claimed, would give the large banks the opportunity to introduce electronic methods.

Auditing and the requirements of the Inland Revenue are discussed in a short chapter, but the suggestion that the Inspector of Taxes should be supplied with iron filings and a microscope with which to make magnetic tape legible is not serious—nor, it is to be hoped, is the prognostication that if the auditor will not co-operate in computer development plans he will be replaced by a new generation that will!

Certain local authorities are said to be actively considering an electronic computer service, the user doing only the primary processing. The idea of such a service is not new, but the possibility of its provision by local authorities is most interesting.

The publication of this summary of a very wide field comes at an opportune time for the large number of people who are seeking a non-technical introduction to electronic computing and for students wishing to acquire an outline knowledge of the subject. In his introductory remarks the author craves the indulgence of his more learned friends if he has tended to over-simplify. In a subject in which it is all too easy to over-complicate, its simplicity may indeed be the cardinal virtue of his book.

The dust cover describes the book as written "by one who knows from first hand experience how personal human factors can change the most elaborate paper plans and how much, even in this scientific age, every-day office work depends upon the use of expediency." Such knowledge must be invaluable in the planning of a fully integrated electronic office, but this theme is not adequately developed in the book. Perhaps we may look forward to a more complete contribution from the author at some later date.

L.G.S.

The Finance of Farming in Great Britain. By S. G. Hooper, B.COM. Pp. 247. (*Europa Publications Ltd.:* 25s. net.)

THIS BOOK, WHICH reviews the methods by which the British agricultural industry is financed, has as its primary aim to assist bankers in understanding the financial problems of their farmer customers. However, it commands a wider range of interest than its title perhaps suggests. There is an informative, if somewhat compressed, chapter on the various sources of permanent or long-term capital of both landlords and tenants with an able analysis of tenants' mid-term and short-term credit requirements and the sources from which they are met, together with some interesting figures showing the increasing support given by the banks to agriculture since the war.

This analysis is preceded by an attempt, which from a general point of view is of even greater interest, to divide farmers into "groups" or types, governed by the kind of farming they carry on, and then to assess the total capital required by each type to finance its "representative" farm, the proportion of the total capital that the farmer will desire the bank to provide, and the extent to which the bank may justifiably meet this need. It is from several points of view suggestive that the idea of a "representative" farm, for the various types of farming, should have emerged from the essentially practical approach of a banker to the credit problems of agriculture.

It is satisfactory that the author regards the facilities for supplying short-term credit to agriculture as adequate, though he has reservations about the supply of capital proper and of long-term credit. When dealing with the relationship between bank lending and its effects on farming policy, the author surprisingly omits any mention of the place of the National Agricultural Advisory Service in advising on farm policy; one would have thought that the advice of the Service was exactly what should have been weighed by a bank manager in considering a request for credit from a farmer.

From an accountant's point of view, it is disappointing to find a banker still supposing that when a farmer has his annual accounts prepared by an accountant, the outcome is an "audit." However, the blemish is but a minor one in an interesting and informative book.

S.V.P.C.

The Principles of Executorship Accounts. By H. A. R. J. Wilson, F.C.A., F.S.A.A. Second Edition. Pp. xii + 158. (*H.F.L. (Publishers) Ltd.:* 15s. net.)

ALTHOUGH IN THE preface the author states that his aim was to prepare an introduction to the subject of the principles of executorship accounts for intermediate candidates, it is certain

that the second edition of his book will be welcomed by a far larger public.

The title of the book may be considered a little misleading, inasmuch as, in addition to dealing with the principles of executorship accounts, the law behind the accounts is dealt with in a quite adequate manner.

The reader is guided through the whole process involved in clearing up the estate of a deceased person, and the illustrations bearing upon the points raised are to be commended.

It would, however, have been of advantage if mention had been made of deeds of family arrangement, for in practice one inevitably finds many estates administered in accordance with such deeds.

A very readable and useful book which should be in every accountant's office.

H.J.L.

Company Meetings. By W. F. Talbot, F.C.I.S., F.T.I.I. No. 3 of a series of practical studies on Business Law and Administration. General Editor—Clive M. Schmitthoff, Barrister-at-Law. Pp. xii+178 (*Stevens & Sons, Ltd.:* 17s 6d net.)

IN THIS REVISED second impression of the first edition the author makes a profound contribution to publications on this very wide subject. The procedure for and at meetings being so substantially based on the common law, it is by no means a simple task to compile a work that is not merely a guide on general principles but in which references to the lesser known technicalities of practical importance are interpolated at the most appropriate stage: but in doing just this the author has certainly succeeded.

As an example of this happy culmination, one may point to the chapter on quorum, in which the author refers to the decision in *Re Hartley Baird Ltd.* In that case Wynn Parry, J., held that, where articles provide similarly to clause 53 of Table A that no business shall be transacted at any meeting unless a quorum be present when the meeting proceeds to business, it is sufficient if the requisite quorum be present at the opening of the meeting, although not present at the time of the motion. This is certainly of great practical import and upsets the general view held for many years.

The book is well balanced. Part I, dealing with the constitution and conduct of company meetings, occupies approximately ninety pages: about fifty pages constitute Part II, which relates to the various kinds of company meetings.

In his preface the author states that, as far as possible, the examples and forms illustrating the text are adapted from the current records of companies with which he is associated. These examples and forms constitute another excellent feature of the book. In the early stages one finds a form of consent by which members of a company accept notice of an annual general meeting and service of documents within a shorter period than that required by the Companies Act, 1948.

In the chapter on voting there are forms of the poll list and of the report of scrutineers to the chairman. References to proxies are fully supported by forms.

As would be expected, the appendices, occupying over twenty pages, contain the majority of the specimen notices, circulars, resolutions and minutes, with the Winding-up Rules.

One notices that while there is very desirably included a form of the resolution on the cancellation of debentures purchased in the open market—a matter of considerable interest to those connected with public companies—no such form of resolution is given for scrip or "bonus" issues. As over recent years the method of capitalisation has been much adopted not only by public companies but, with increasing frequency, by private companies also, it may be suggested that the author may think fit to remedy the omission in his next edition.

Here is a book which must enure to the benefit of the wide circle of those concerned with company meetings. For the student it affords most useful material. To the secretary of a public company it is much more than a general guide. In the hands of the many directors of private companies it should result in a closer compliance with the formalities of meetings.

F.A.R.

The Principles of Mercantile Law. Pp. xxxi+355. By His Honour Judge Charlesworth, LL.D. Eighth edition. (*Stevens & Sons Ltd.:* 17s. 6d. net.)

IT IS GOOD that his duties on the County Court Bench have not prevented Judge Charlesworth from producing a fresh edition of this book. After dealing with the general law of contracts the author discusses many types of special contract —agency, sale of goods, bills of exchange, carriage, insurance, partnership, guarantee—and then devotes several sections to the law of bankruptcy. He ends with sections on arbitration and on those much-used and little understood terms, bailment, pawn and lien.

On all these subjects the book is packed with information and the layout is well arranged so that students, for whom the book is primarily intended, will quickly have their attention drawn to the most important points. However, the very compactness of the arrangement necessarily carries with it the disadvantage that a student may find it hard to assimilate all the information provided or to obtain a firm grasp of the principles of such difficult topics as mistake in contract. The book will probably be of most value to those who use it in conjunction with larger books on the various subjects.

The cases used in illustration are well chosen, and it is of great advantage that they are included in the body of the text and not inserted as footnotes. There does seem to be one curious omission; against many cases there is a reference to "Cases 10" or "Cases 95," without any explanation of the meaning of this reference. This is, however, but a small blemish upon a book which will undoubtedly stand students in excellent stead.

A.P.F.

Books Received

Spicer & Pegler's Book-keeping and Accounts. Fourteenth Edition by W. W. Bigg, F.C.A., F.S.A.A.; H. A. R. J. Wilson, F.C.A., F.S.A.A.; and A. E. Langton, LL.B., F.C.A., F.S.A.A. Pp. xi+611. (*H.F.L. Publishers Ltd.:* 35s. net.)

Return of Police Force Statistics, 1954/55. Pp. 15. **Return of Fire Services Statistics, 1954/55.** Pp. 15. (*The Institute of Municipal Treasurers and Accountants, 1 Buckingham Place, London, S.W.1:* 3s. each post free.)

City and Royal Burgh of Edinburgh. Financial Review, 1954/55. Pp. 239. (*City Chamberlain, City Chambers, Edinburgh.*)

Det Riskvilliga Kapitalets Förvaltning (The Stewardship of Capital). By Sandor Asztely, with a summary in English. Pp. 152. Gothenburg School of Economics Publications, 1955, No. 3. (*Företagsekonomiska Institution, Göteborg:* Kr. 10.)

Principles of Auditing with Typical Questions and Answers. By E. Miles Taylor, F.C.A., F.S.A.A., and Charles E. Perry, F.C.A., F.S.A.A. Thirteenth edition. Pp. xii+374. (*Textbooks, Ltd.: 15s net.*) The twelfth edition was reviewed in ACCOUNTANCY for October, 1952, page 351.

The Month in the City

The Squeeze at Work

The rise of a point in Bank Rate and the subsequent measures announced by Mr. Macmillan seem on the whole to have impressed at least some investors. By the end of February there was a rise of something like 3 per cent. in the Funds from the point touched on the eve of the change in the rate. This may be held to reflect the fear that the rise would be 1½ points and the relief that it was not, but the operative factor appears to have been some closing of bear positions and a small, if steady, trickle of orders of very modest size from the country at large. Meanwhile, there has been a similar rally in other fixed interest securities and a more modest and shorter rise in industrial equities. With the opening of March came the announcement of the change in the gold reserve and the terms of a Government "funding" operation, dealt with below. From that point on, all fixed interest securities, including of course gilt-edged stocks, sagged, while the decline in industrial Ordinaries was resumed with rather more speed; but by the middle of the month the former category were still higher than before the Bank Rate change, while equities had by then made a distinct recovery. This movement had probably gained force from a growing feeling that while the Budget might not grant any tax remissions to taxpayers at large, it would not contain any further restrictive measures of any real consequence. Throughout the whole of this period business was at a low ebb, and only in the closing days was there any evidence of direct operations by the institutions. Of these not a few have pledged their income for various purposes some way ahead, and the credit squeeze tends to make those to whom they have made promises draw more rapidly on them than had been, perhaps, expected.

Exchequer Five per cents

Following the rise in Bank Rate and the demonstration that the new Chancellor appeared to be very much in earnest, there had been much talk of the need for a funding issue to soak up some of the surplus Treasury Bills issued to finance the inside take-up of Gas and Electricity stocks and other outlays. With the new month the offer was announced of £300 million *Exchequer 5 per cent. bonds* at par with a life of just over fifteen months. The whole amount was payable on application and no commission was given, so that the yield was 5 per cent. flat. At the time of the announcement this looked not unattractive and, while few expected the issue to be covered without official help, a good response seemed probable. By ill luck, the bad news from the Middle East broke almost on the eve of application day, and there is very little doubt that the bulk of the issue went inside. Applications for more than £3 million were cut to 87 per cent. and the price opened at 1/32 premium, only to fall to par in a few days. If this gesture is to be really effective the authorities must in the near future dispose of an amount of stock roughly corresponding to that taken up, even if this means facing a material loss. The effects of the economic measures and of adverse developments in Jordan and Cyprus caused the following changes in the indices of the *Financial Times* between February 20 and March 19: rise from 85.51 to 85.90 in Government securities, from 94.93 to 95.82 in fixed interest, and from 173.5 to 179.5 in industrial Ordinary shares, and a fall from 91.9 to 88.6 in gold mining shares.

Exports and Production

Meanwhile, it has not been easy to determine how far the credit squeeze has been working in the much more important field of industry. It is evident that, in combination with seasonal factors and cuts in exports to Australasia, it has adversely affected the car industry and, to a less extent, the home market for long-term consumption goods. Those concerns whose capital demands cannot be delayed are being forced to raise money in the market—the *Rolls-Royce* issue is discussed below. No doubt some firms are suspending new capital formation, but so far there is very little rise in the real volume of the unemployed and still less indication that those workers displaced are seeking permanent jobs in other lines, which is one of the effects it is sought to promote. Against this it is possible to trace in the preliminary figures of trade for February some slight indication of a more than seasonal decline in imports. This movement, if it really exists, is as yet in its infancy and has had no decisive effect on the attitude of the foreign dealer to the value of sterling—which did, however, improve somewhat and would be stronger were it not for the unfortunate position in the Middle East. On the month, there is at the time of writing a very slight improvement as against the dollar and the leading Continental currencies. It might well be greater in view of the fact that the rate for Treasury Bills is up by about 1⅛ per cent. on the month. There is certainly more competition for these bills than formerly, but the market holds its bid steady and others have only to offer a penny more to get what they require. The position remains uncertain, and this uncertainty finds expression in the opinion that one must wait to see what the Budget will produce. It is, however, clear that even that will leave many questions unanswered.

Rolls-Royce raise over £4 million

The new capital issues of February were some £19 million, the lowest for that month since 1953; and March, as was to be expected from the fall in prices, did not start very well in this field. However, *Rio Tinto* offered as rights 1,700,000 shares at 50s. each, and rather before the middle of the month *Rolls-Royce* offered one new Ordinary share of £1 for each £6 held at 77s. 6d. On the price at that time this made the rights worth around 1s. 8d. per old share. The overdraft of the group at the date of announcement was modest, but the money is required to finance construction already well advanced in connection with high altitude and supersonic tests. In view of the important standing of Rolls-Royce aero engines at home and abroad it is scarcely possible to object to the raising of this money. At least it is evident that the company considers that no curtailment is possible in this field, and their getting the money means only that there will be less for others, if the prevention of further inflation is to be achieved. Some further tightening of the squeeze is implicit in the announcement by the Chancellor on March 13 of a cut in the amount which can be raised without C.I.C. consent from the £50,000 per annum which has been the rule since June, 1945, to only £10,000. He further indicated that the finance of projects for the sale of freehold properties and the leasing of them to the vendor required the attention of institutions providing the finance.

Thrift posed a problem for Uncle Tom

He believes in saving, does Uncle Tom, and what's more he practises what he preaches. But savings have a way of growing when you keep at it. And money brings its own responsibilities, such as what best to do with accumulated capital. It's all wrong not to make it earn MORE money.

Good advice from his bank manager, Mr. Shepherd, solved this little problem for Uncle Tom and now his capital is safely invested with the Co-operative Permanent and earning a steady 3% for him with the Society paying the income tax. What about withdrawal? At any time a portion or the whole can be withdrawn without delay.

In the experience of every professional man there must be parallel or nearly parallel cases where advice is sought, and we suggest you have details of the Society's investment service by your side. We will gladly send them on request.

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Points From Published Accounts

"Goodness" in Company Reports

WHAT IS A good report? Because "goodness" in a report is so much a matter of personal opinion the question is hard to answer. Few, however, would quibble with the view that "the report must be an effective as well as an informative communication," to quote from a new publication on the subject, *The Function and Design of Company Annual Reports* (Sweet and Maxwell, price £2 15s. net).

The general theme of this absorbing book by Professor R. J. Chambers of Sydney is that there is, or rather ought to be, more to a set of accounts than the mere presentation of an historically accurate picture of the trading year of a company. More and more it is coming to be realised that "public communications issued by companies are likely to invite misinterpretation as long as the bald profit figure only is released." In his call for more information Professor Chambers puts forward a convincing case for making an annual report all things to all people. Reports, and the accounts they contain, inevitably have a wider readership than that for which they are specifically intended. The realisation of this truth should be the spur to taking full advantage of the opportunity thus provided for advertising a company and building up goodwill. It may sound a little academic to the average businessman to suggest that no other business communication has quite the same potentialities as an instrument of social integration, but the fact remains that these potentialities are being exploited by an increasing number of companies; and to support his case and illustrate his arguments Professor Chambers cites no less than 148 different concerns, of which, if the writer's arithmetic is correct, 51 are British.

Professor Chambers's book deserves a wide readership on both sides of the fence that divides the recipients from the compilers of company reports. The examples which he cites of the efforts that some concerns have made to ensure that reports and accounts should be the vehicles of a greater understanding between a business and its customers, its shareholders and its workers provide ample scope for lighting the fires of inventiveness in the minds of those less willing to face the demands and needs of modern society. As Professor Chambers penetratingly observes, the rational participation of an ignorant community in a free enterprise economy is impossible, and in many respects modern industrial communities, though literate, are ignorant of businessmen, business methods and business policies. It is in the power of company annual reports and accounts to go a long way towards closing this gap, and Professor Chambers's book fulfils a worthwhile service in helping to draw attention to this fact.

Published Accounts from the Duplicating Machine

One of the first casualties of the printing dispute was the accounts of *Barrow Hepburn and Gale*. While the printed copies were being held up, a duplicated set was issued to shareholders. Bearing in mind the circumstances they were surprisingly well produced, their readability being improved by large type and plenty of space around the figures. One specific point which arises out of these accounts is the method of splitting profits tax into two parts, showing the proportion attracted by the profits earned, and the proportion attracted by the dividends. This method has a great deal to commend it in helping to show shareholders exactly how much their dividends really cost the business, without the drawbacks attaching to the practice, sometimes seen, of including distributed profits tax actually as part of the dividend disbursement.

Liebig's Uses the Opener

Full marks go to *Liebig's Extract of Meat* for its 1954/55 accounts. They are a vast improvement on earlier marks. The set-up of this complex business inevitably means a complicated accounting procedure, and the average shareholder has been heavily burdened on this score in the past. In an attempt to provide more detailed information the balance sheet had become tightly packed with figures. The close-knit accounts made them rather unapproachable. This year, simplicity of presentation has been made the main theme. The balance sheet has been pruned to a bare minimum, so that it is possible to see the wood at a glance without having to wade through an overgrowth of trees. Those who want more detailed information are referred to a copious section of notes, though, surprisingly enough, it is little longer than in the previous year, primarily because a more compact layout has been adopted. Whereas fixed assets previously appeared under the headings of sterling and non-sterling, with a third column giving the total, only one figure now suffices, the detailed information now being given in a separate table appended to the main notes on the accounts.

Despite all that has been done to give shareholders an easy understanding of their business, there are those who will not rest content until the company has provided a similar detailed analysis of the profits. Undoubtedly the analysis would be useful to have, but any attempt to provide it would at best be a compromise between differing points of view, for there is the practical consideration that where an ultimate profit stems from more than one source it is a matter of opinion to which source it is finally credited.

Reporting on Art Paper

A very effective set of accounts has been produced by *John White Footwear Holdings*: the main aim has again been simplicity of presentation. The art paper upon which the accounts are printed greatly helps in giving a clear-cut appearance to the figures, which benefit from being surrounded with plenty of "white." An unusual feature of the balance sheet this year is the showing separately of the cash balance held in the United States. The business has an important trade there, and the company has chosen as effective a way as any of providing shareholders with some indication of just what they have at stake over the Atlantic.

Comma-less Figures

The accounts of *Oppenshaw Breweries* follow the conventional pattern, with the exception that the figures are printed without the usual commas between the thousands and hundreds. The effect is surprisingly disconcerting, and it is difficult to see what advantages can accrue from breaking away from accepted practice in this fashion.

Legal Notes

Company Law—

Scheme for Amalgamation

The case of **Re Western Manufacturing (Reading) Ltd.** [1956] 2 W.L.R. 437 is the subject of an article, *Buying Out Dissentient Shareholders*, on pages 86–88 of our March issue and pages 126–9 of this issue.

Executorship Law and Trusts—

Variation of Settlements

Inflation and the weight of taxation continue to make beneficiaries anxious to vary the terms of settlements made when taxation was much lower, but unless all the possible beneficiaries are of full age the leave of the Court has to be obtained. As will be well remembered, the House of Lords in *Chapman v Chapman* [1954] A.C. 429 decided that the Courts have no inherent power to sanction the variation of a settlement merely to secure tax benefits for the beneficiaries.

In **In re Simmons** [1956] 2 W.L.R. 16 the settlor had made in 1923 a settlement of land upon trust for sale, giving herself only a life interest. She now wished to increase her capital. To effect this wish the trustees of the settlement made proposals that part of the trust fund should be given to the settlor absolutely and that another person who might have an interest under the settlement should receive compensation. The Court held that it had power to sanction these proposals under the Law of Property Act, Section 28 (1), and the Settled Land Act, 1928, Section 64, and that it was in the interest of the beneficiaries that the proposals should be authorised. As the Court had been given powers by statute, there was no need to invoke the aid of any inherent powers and the rule in *Chapman's* case did not apply.

This case should be contrasted with **In re Powell-Cotton's Resettlement** [1956] 1 W.L.R. 23. The resettlement in that case contained a long investment clause, the interpretation of which was open to some doubt. The beneficiaries proposed that this doubt should be resolved by substituting a wide investment clause of modern type. The Court of Appeal doubted whether it had any power to sanction this arrangement, and decided that in any case it would not interfere with the decision of Danckwerts, J., who had held that the arrangement was not one which ought to be sanctioned.

Insolvency—

Payment of Maintenance to Bankrupt Wife

On the dissolution of his marriage T. covenanted by deed to pay B., his former wife, £50 a month for life. B. subsequently went bankrupt, and at the time of her bankruptcy she voluntarily agreed that her trustee in bankruptcy should receive these maintenance payments for the benefit of her creditors. In April, 1955, she was discharged from bankruptcy subject to a suspension for two years, and in June, 1955, she gave notice to the trustee that she revoked the arrangement under which he received the maintenance payments. The trustee refused to accept this notice.

T. was thus left in the position that he did not know to whom he could safely make the maintenance payments, and in **Re Tennant's Application** [1956] 1 W.L.R. 128 he took out an interpleader summons to decide the point. After reviewing the authorities, Upjohn, J., held that the payments vested in the trustee, but nevertheless they were "income" of the bankrupt within the meaning of Section 51 (2) of the Bankruptcy Act, 1914, and remained payable to her unless and until the trustee made an application to the Court under that Section. If the application was made, then the Court would have a discretion to order how much, if any, should be paid to the trustee.

Miscellaneous—

Exemption from Payment of National Insurance Contributions

By Section 5 (1) (a) (iii) of the National Insurance Act, 1946, regulations may be made excepting insured persons from liability to pay contributions for periods when they are not in receipt of income exceeding £104 a year (now £156 a year). The case of **Longsdon v. Minister of Pensions and National Insurance** [1956] 2 W.L.R. 176 turned on the meaning of "income" in that sub-Section.

L., the applicant, was a farmer who had ploughed back his profits and fed capital into his farm, with the result that on his farming operations he had consistently shown net losses far in excess of the income of some £290 which he drew from investments. He lived partly by selling capital and partly by borrowing from the bank. The Inland Revenue agreed that for income tax purposes his income during the relevant period was nil, and he argued that he was under no liability to pay insurance contributions, as "income" meant "net income" or "income assessable to tax."

Havers, J. decided that "income" must bear its ordinary meaning of "that which comes in" and that as he received more than £104 from his investments he was liable to pay insurance contributions.

Miscellaneous—

Signature of Company

In **Lazarus Estates Ltd. v. Beasley** [1956] 2 W.L.R. 502, a document which was required by statute to be "signed" had impressed upon it a rubber stamp "Lazarus Estates Ltd." There was no signature of a secretary or of any other person on behalf of the company. The defendant did not object to the document on the ground that it was not "signed," but the Court of Appeal indicated that a rubber stamp without any personal signature to verify it might well not be a valid "signature" by a company.

Miscellaneous—

Currency in which Debt Payable

In **National Mutual Life Association of Australasia Ltd. v. Attorney General for New Zealand** [1956] 2 W.L.R. 532, the appellant company was the holder of certain New Zealand inscribed stock, the principal and interest of which were "payable at Melbourne free of exchange." At the date of issue the Australian pound was the equivalent of the New Zealand pound, but after August, 1948, £A.125 were the equivalent of £NZ.100. The appellants were paid in Australian pounds of the nominal value of the stock, and they contended that they ought to have been paid either in New Zealand pounds or at its equivalent in Australian pounds at the current rate of exchange. It was held that, as payment was to be made in Melbourne and the holder of the stock had no option to change the place of payment, repayment was correctly made in Australian pounds of the nominal value of the stock.

Miscellaneous—

German Enemy Property

It was held in **Re Collbran deceased** [1956] 2 W.L.R. 337 that in Section 8 of the Distribution of German Enemy Property Act, 1949, a "German enemy debt" meant a liquidated sum, and that no claim could be made for unliquidated damages for breach of a repairing covenant in a lease.

Readers' Points and Queries

Cattle Dealers

Reader's Query.—Is the assessment of a cattle dealer who also acts as a buyer for butchers based on his income for the year of assessment or his income for the previous year? What was the decision in the case of *Phillips v Bourne*, 1947?

Reply.—A cattle dealer would be assessed under Case I as carrying on a trade, and, therefore, the assessment would be on the previous year basis except in the early years of carrying on his business. The decision in Phillips *v.* Bourne *was that pigs are cattle within meaning of Rule 4 of Case III of Schedule D. This Rule is obsolete, since farming is now assessed as trade.*

Profits Tax—Transitional Provisions

Reader's Query.—I should be pleased if you would confirm that the following profits tax computation, based on my interpretation of the Finance (No. 2) Act, 1955, is correct.

Accounting year to December 31, 1955. Profits for profits tax £30,000. Dividends declared:

	£
"Interim for the half year ended June 30, 1954" Paid September 6, 1954.	£6,000
"Final for the year ended December 31, 1954" Paid April 6, 1955	£6,000
"Interim for the half year ended June 30, 1955" Paid September 6, 1955	£6,750
"Final for the year ended December 31, 1955" Paid April 6, 1956	£6,750
Computation	
C.A.P. to 31.10.55. 10/12×£30,000= £25,000 at 22½% = ...	5,625
G.R.D. 10/12×£12,000 (governing total) =£10,000	
N.D.R. £15,000 at 20% = ...	3,000
Payable	2,625
	£
C.A.P. to 31.12.55. 2/12×£30,000= £5,000 at 27½% = ...	1,375
G.R.D. 2/12 × £12,000 (governing total) = £2,000	
N.D.R. £3,000 at 25% = ...	750
Payable	£625

Total payable for the C.A.P. to December 31, 1955 = £3,250.

Excess dividend to be treated as a G.R.D. in the C.A.P. commencing on January 1, 1956, is £1,500.

One would expect the excess dividend to be treated as a gross relevant distribution in the chargeable accounting period commencing November 1, 1955, so reducing the non-distribution relief for that period. The effect of the transistional provisions of the Act appears to be to defer the payment of profits tax on excess dividends for twelve months.

If the excess dividend is to be treated as a G.R.D. in the C.A.P. commencing January 1, 1956, it may happen that the total profits tax payable for the C.A.P. 1955 is reduced, even with the increased rates.

Assume the profits and dividends as before, but that the company, being connected with the building industry, has a poor year to December 31, 1956, with profits, adjusted for profits tax, of £2,000 and no dividends paid in respect of the year. No profits tax is payable, as the profits are less than £2,000, and there is no distribution charge as the distributions (£1,500 bought forward) do not exceed the profits. The excess dividend has thus escaped the increased rates of profits tax.

Reply.—The interpretations are correct, but the effect of the balance of dividends being treated as a distribution in any particular period must depend upon the facts of that period and cannot be foreseen.

A Key Date for Factories

Reader's Point.—A reader points out that the annual allowance in the illustration on page 94 of the March issue can be 2 per cent. on the full £32,000, or £640 a year until the £24,957 less the initial allowance of £2,496 is written off.

Double Taxation Relief

Reader's Point.—In the article on double taxation relief in your February issue, the penultimate calculation, in column one of page 55, commences by ignoring surtax and goes on to show that a net repayment of tax amounting to £300 16s. 8d. is due, when, in fact, ignoring surtax, only £255 has been deducted in respect of income tax. The balance of £45 16s. 8d. applies to surtax. I think the example could be rather confusing and the calculation should have illustrated the two amounts, aggregating £300 16s. 8d.

Notices

The Accountants' Christian Fellowship will hold a meeting for Bible reading and prayer on Monday, April 9, at 6.0 p.m. at St. Mary Woolnoth Church, King William Street, London, E.C.3.

A residential **Course in Organisation and Methods** will be held at Droitwich Spa from May 6 to 12. It is designed for those engaged in industrial and commercial offices, especially for those who contemplate setting up an O. and M. section or who have no previous experience of the work. Further information is available from Mr. J. L. Cousins, Secretary, Office Management Association, 56 Victoria Street, London, S.W.1.

The Regent Street Polytechnic announces a course for senior executives and senior financial and cost accountants on **Presentation of Accounting Information,** to be held on Wednesdays from 3 p.m. to 5 p.m. for six weeks commencing on April 25. The course will be held at St. Katherine's House, 194 Albany Street, London, N.W.1, and enquiries and applications should be addressed to the Registrar of the Department of Management Studies at that address.

A **Productivity Film Show,** arranged by the North London Productivity Committee of the British Productivity Council, will be held on May 3 from 2.30 to 5.30 p.m. at the National College of Rubber Technology, Northern Polytechnic, Holloway Road. London, N.7. The registration fee is 2s. 6d, The number attending is restricted to 180, and applications will be considered in roation.

The **British Institute of Management** announces that a North-Western Management Conference will be held in Southport on April 13 and 14, and a Scottish Management Conference at Gleneagles from April 20 to 22. The themes will be respectively *Management Looks Ahead* and *Some Practical Management Questions of 1956.* Programmes are obtainable from the British Institute of Management, 8 Hill Street, London, W.1.

A bulletin entitled **International Business Facts,** or I.B.F. for short, is published by Comptelburo Ltd., of 85 Fleet Street, London, E.C.4. This bulletin, issued on five days a week, provides for the businessman reports on all aspects of foreign trade. The subscriber is kept up-to-date with changes in import-export regulations, foreign trade movements, new products and marketing ideas, capital projects or tenders, production programmes and trade missions. The bulletin is written in crisp language and has a remarkably comprehensive coverage. The annual subscription is £16 16s.

Messrs. **Gibbons & Mitchell,** Chartered Accountants, have opened a branch office at Flushing House, Rye.

The Student's Columns

I—THE ACCOUNTANT ENTERING INDUSTRY

By L. C. HAWKINS, F.S.A.A.
Member of the London Transport Executive

THIS NOTE SETS out to distinguish the characteristics of the work of the accountant in industry from that of the auditor engaged in public practice, and to discuss some of the changes facing the accountant, and the demands these changes will make upon him, when he moves from a practising office to take up a post in an industrial undertaking.

The most obvious change relates to the position of the accountant in relation to the business itself.

As auditor, the accountant is independent of the management. He stands outside the business and even though the auditor's advice on business problems may be informally sought he is not directly concerned to form or to influence management policy. It is not strictly his affair whether the business is wisely or badly run. While he often influences considerably the form in which the accounts are presented, his statutory duty is to report on them to the members of the company after they have been prepared by the management.

The accountant in industry, on the other hand, is part of the organisation of the business itself. He is an officer of the management and their financial expert. He will not, himself, directly make the policy decisions, but he will be asked to advise on them and, with the sales, production and other experts, he can have a direct influence on those decisions in the way he discharges his duty of seeing that the management is supplied with enough and sufficiently relevant information for them to take informed policy decisions. He must also assess the results of those decisions when they have become effective.

The accountant who enters industry thus ceases to be the independent critical reviewer of the accounts of the business; he becomes instead one of a team of skilled workers on whom the management relies for the effective running of the business.

This change in status is reflected in a changed emphasis in the accountant's approach to his figures.

As auditor, the accountant is mainly concerned with the past and he deals with ascertained facts. It is his duty to see that the transactions of the business fall within its legal powers; that they are duly authenticated and fully and correctly recorded; and that the final results are fairly and accurately presented in the audited accounts. He must report anything that he considers should be reported. That normally is the limit of his responsibility (though there may be exceptional occasions where he is asked to act as both accountant and auditor).

In industry, however, the accountant's work goes far beyond the maintenance of systems of internal control, keeping the books and producing annual accounts. Important as these duties are, the accountant in industry is often much more interested in the interim results of last month than in the ascertained figures of last year. He may, too, sometimes show much more concern with what is likely to happen in the future than with what has already become history, however recent that history may be. In short, the approach to industrial accountancy is, and must be, quite different from that which is appropriate to the conduct of an audit.

The reason for the difference is twofold. Firstly, there is the fact that the work of the accountant in industry is an essential part of the combined operation of running the business. Secondly, and arising directly from the first reason, the accountant in industry wants to put his figures to work, not merely on record. He must therefore supply the management with the financial, costing and statistical data which it requires if it is to take the action which is necessary for the control of the present and future work of the business. He must look forward just as much as he looks backward.

Industry does not regard accountancy as an end in itself but rather as a "service" designed to assist in the effective operation of the business as a whole. It is in relation to the "service" aspect of his work that the accountant in industry will be principally judged.

Again, there is an important difference between the auditor and the accountant in industry in relation to their understanding of "management" as such. The auditor tends most frequently to meet and to visualise "management" as the Board of directors. In industry the accountant has to recognise that this view is not nearly wide enough and that "management," in fact, consists of a number of underlying layers and degrees of responsibility, building up to the final responsibility discharged by the Board of directors. He has to realise that the success of the business as a whole depends very much on the way each of the separate parts of management does its job. He must therefore play his part in contributing to the efficiency of the subsidiary stages of management as well as providing the financial advice which is essential if the top levels of management are to work with full effectiveness.

In giving service, therefore, the accountant in industry sees the business in its detailed parts as well as in the whole, and he must be able to arrange the work of his department so that each section of the management is enabled to establish standards by which its work can be judged and is supplied with useful, prompt and appropriate accounting and statistical information related to those standards. In short, he must encourage and take a very direct interest in the preparation of budgets at all levels and in the presentation of actual results in relation to those budgets.

For this work several things are essential. The first is

that all levels of management shall be convinced that the accountant is no mere record-keeper, but that he has a practical part to play in the running of the business. The second is that the accountant shall secure and retain the confidence and collaboration of the various management levels. The third is that he shall recognise the value of speed and appropriateness in the presentation of figures and shall appreciate that figures that are reasonably right and submitted quickly are far more useful in remedying errors or making policy than those that are absolutely right but so late that the opportunity for action on them has already passed. And if all these requirements are to be met, the accountant must understand, without being a technician, the technical basis on which the work of the business rests.

There are other and important differences between practising and industrial accounting, but to discuss them all now would unduly prolong this article. It is, however, important to note one thing that does not change. The basic requirement of all accountancy work, whether in practice or in industry, is complete impartiality in the handling and presentation of figures. There may often be scope for argument about the inferences to be drawn from figures and about the way in which particular calculations should be made, and in these matters there may be room for accommodation between differing points of view. But, whether in practice or in industry, no compromise is possible between truth and honesty and their opposites.

There remains the problem of how the young accountant who contemplates entering industry is to equip himself for his new tasks, which will certainly call not only for a change in outlook but also for the exercise of skills that may not have been greatly tested inauditing work.

Whether he intends to remain in practice or to enter industry, no accountant can regard himself as fully qualified in his art until he has obtained at least a basic understanding of the work of the accountant in industry and the reasons for what is done. There is plenty of opportunity for doing this, both practically in the course of audit work and theoretically through the considerable and expanding literature on the subject. If he fully grasps these opportunities the young accountant will, in any case, have made himself a better accountant; he will, too, have taken one of the first steps in his preparation for an industrial accounting post. His auditing work, too, should provide the basic training in some of the other industrial requirements, including a capacity for team work, and the ability to get on with other people, in spite of differences of opinion, and to expound and argue a point of view with conviction and tenacity up to the point at which decision is reached.

Even so, practical training and experience are essential: training and experience of a type not provided by the work of the auditor, but obtainable only by working inside a business. In particular, skill is required in the control of staff. This skill is something that can be learned only by practical experience but, here again, careful observation in the course of auditing work can provide useful guidance.

The accountant is already a skilled craftsman in some aspects of his work when he goes into industry, but he still has much to learn. It may pay him in the long run not to seek too high a status in his first industrial job. Promotion, either in the industry he first enters or elsewhere, will not be difficult to secure for the man who applies himself effectively to the improvement of his skill and the widening of his knowledge, but these things take time.

Above all, he must cultivate the quality of judgment, judgment in relation to the interpretation and use of figures, and judgment of the factors that are influencing the conduct and financial results of the business. He must be able to see and appraise the other man's point of view; to see a problem through the other man's eyes, and to appreciate not only the decisions which the management take but, even more important, the reasons for them.

If the young accountant approaches his new job with confidence in his basic knowledge and training but with a due recognition that he does not yet "know all the answers," sets himself out to understand fully all about the business he has chosen and the people with whom he has to work, and keeps as his constant aim the provision of "service" where it is needed, he can be reasonably certain that he will both succeed in his new work and gain great satisfaction from it.

II—AN EXAMINATION QUESTION IN TAXATION

Question

Mortimer and Lewis are in partnership as commission agents, making up their annual accounts to April 5. The appropriation accounts of the firm for the years ended April 5, 1954, and April 5, 1955, are as follows:

	1954 £	1955 £		1954 £	1955 £
X. Finance Co. Ltd., Loan interest (gross)	800	675	Trading profits	3,600	4,500
Partners' salaries:			Dividends on investments (gross)	200	225
Mortimer	300	450			
Lewis	450	600			
Balance of profits:					
Mortimer	1,500	1,800			
Lewis	750	1,200			
	£3,800	£4,725		£3,800	£4,725

No adjustments to the trading profits were required for tax purposes, and the Case I assessment for 1954/55 was agreed at £3,600.

Mortimer is married with three children under 15 years of age. His wife is employed as secretary of a local company at a salary of £450 per annum. He employs a housekeeper at £200 per annum to look after the children while his wife is working. He pays 7s. 5d. per week National Insurance contributions for himself and 3s. 11d. per week for the housekeeper, whilst his wife pays 4s. 6d. per week as a voluntary contributor. He has a life assurance policy for £1,000, taken out in 1951, on which he pays an annual premium of £75. His only other source of income is a holding of £5,000 3½ per cent. War Loan.

You are required to show in respect of the year 1954/55: (1) the division of the Case I assessment between the partners and the amount of tax chargeable to Mortimer in the firm's books; (2) the tax payable by Mrs. Mortimer on her salary; and (3) Mortimer's total income for surtax purposes.

Principles Involved

The principles involved in the answer are:

(1) Once the Case I assessment has been agreed, it is wise to forget where it came from. The assessment for income tax purposes becomes the profit of the year of assessment and is divisible among the partners as they share profits in that year of assessment, i.e. 1954/55.

(2) The annual charges (loan interest) exceed the unearned income of 1954/55; the excess must have come out of earned income. The firm is allowed no deduction for annual charges, it must keep the whole income in charge to tax. But the excess charges must be deducted in allocating the assessment to the partners, as they can have reliefs only against income they enjoy. The earned income relief is restricted to the balance. If this were not so, the taxpayer might only account to the Revenue for 7/9ths of the tax he deducts when paying the interest. Private income cannot be used to account for tax on the partnership annual charges.

(3) Provided a partner has made a return for 1954/55 and claimed his allowances, effect is given to them in the partnership assessment. However, it is common in practice to use some of these allowances against the assessment on family allowances and on small amounts of untaxed interest—but this is done largely at the whim of the Inspector of Taxes and there is no general rule. It is assumed that the Case III assessment would be included in circumstances such as those of the question.

(4) As will be seen from the answer below, Mr. Mortimer's income and the family allowances (8/– a week each for the second and third children) absorb most of the earned income relief, leaving only £61 out of the maximum relief of £450 to be set against the wife's earned income. Reduced rate reliefs on the wife's earned income attach only to the amount of such income less the reliefs that could not be given but for that income being there and less any National Insurance contribution.

(5) The allowable amounts for National Insurance contributions would be £15+£10 and £7 for the wife. A candidate can hardly be expected to memorise the many sums involved and could reasonably assume the amounts.

(Assumptions should be put at the top, not the foot of an answer, so that the examiner can read the answer knowing what was in the candidate's mind.)

(6) No relief can be claimed for the housekeeper as the wife is not mentally or physically incapacitated.

(7) The life assurance premium is limited to 7 per cent. of the sum assured payable on death.

(8) It is considered permissible to abbreviate the reliefs, etc., as shown.

Answer

The suggested answer is:

It is assumed that the family allowances are taken as £20 a child and that the Case III assessment is offset by allowances.

(1) Case I assessment, 1954/55:

	£	£			£	£
		Firm			*Mortimer*	*Lewis*
		3,600	Salaries		450	600
			Balance	3:2	1,530	1,020
					1,980	1,620
Annual charges	675					
Unearned Income	225					
	£450			3:2	270	180
		£3,600			£1,710	£1,440

(2) Mortimer's share of tax:

Statutory total income from firm			1,710
		£	£
Less Earned Income Relief (E.I.R.)		380	
Personal Allowance (P.A.)		210	
Children		255	
Life Assurance Relief (L.A.R.)		28	
		873	
Applied against other income (see below)		181	
		—	692
			£1,018

	£	s.	d.
Chargeable: £400	102	10	0
£618 at 9/–	278	2	0
	£380	12	0

	£
Family allowances	40
Less E.I.R.	9
	31
Case III	175
Less N.I.C.	25
Offset by part allowances	£181

(3) Mrs. Mortimer's tax:

	£	£
Salary		450
Less E.I.R.	61	
P.A.	120	
N.I.C.	7	
	—	188
		£262

	£	s.	d.
£100 at 2/6	12	10	0
150 at 5/–	37	10	0
12 at 7/–	4	4	0
	£54	4	0

(4) Total income for surtax:

	£
Partnership	1,710
Case III	175
Family allowances	40
Wife's salary	450
	2,375
Less National Insurance contributions ..	32
	£2,343

THE SOCIETY OF Incorporated Accountants

Dinner at Incorporated Accountants' Hall

Mr. Bertram Nelson, President of the Society of Incorporated Accountants, presided at a dinner at Incorporated Accountants' Hall on March 21.

The toast of The Guests was proposed by Mr. Nelson, and acknowledged by Sir Godfrey Russell Vick, Q.C., a past chairman of the Bar Council. There were about 35 guests present and about 30 members, with their ladies.

Membership

THE FOLLOWING PROMOTIONS in, and additions to, the membership of the Society have been completed during the period December 3, 1955, to March 6, 1956.

Associates to Fellows

CADDICK, Arthur Donald, Borough Treasurer, Smethwick. DICKSON, Robert Henry (*Hemphill, Lucas & Purnell*), Durban. EASTON, Daniel Augustus (*Cassleton Elliott & Co.*), Lagos, Nigeria. FOULKES, Charles Albert (*T. P. Hartwell & Co.*), Manchester. GREGG, Vernon Stewart (*Milne, Gregg & Turnbull*), London. HAYMAN, Kenneth John (*D. R. Carston & Co.*), Cardiff. HEATH, Samuel Percy (*Joseph W. Shepherd & Co.*), Manchester. INGRAM, Hedley Frederic, Bairns-Wear Ltd., Nottingham. LEWIS, Denis Harold (*W. Vincent Vale & Co.*), Wolverhampton. MARTIN, Charles Peter (*Kearney, Martin & Co.*), Dundalk. MASON, William Eric (*H. R. Horne & Partners*), Derby. PARKER, William (*Aston, Wilde & Co.*), Birmingham. PRIME, Sidney George (*Hughes & Allen*), London. RICHARDS, Stanley John (*W. Vincent Vale & Co.*), Wolverhampton. RIDAL, Geoffrey (*Walter Bell & Co.*), Sheffield. SEAL, Jack (*Greenhalgh, Sharp & Co.*), Manchester. SIM, Kenneth Gordon (*Friend, Ellis & Co.*), Newport, Mon. STALLARD, James Anthony Barker (*W. Vincent Vale & Co.*), Wolverhampton. STANTON, Louis, London. WILKINSON, John Hastings (*Joseph W. Shepherd & Co.*), Manchester. WOOD, Arthur (*J. R. Atkins & Co.*), Manchester.

Associates

AKERS, Peter James, formerly with E. C. Barber & Co., London. ARCHER, Eric Charles, with Mellors, Basden & Mellors, Nottingham. ARIES, David Joseph, with Holden, Howard & Co., London. BAGNALL, James, with Alfred Nixon, Son & Turner, Manchester. BAILEY, Raymond William, with Boaler, Flint & Hurt, Nottingham. BAKER, Eric Albert, Port of London Authority, London. BARTLEY, Joseph Hadyn, with H. C. Hopkin, Cardiff. BASTON, Leonard Alfred John, with F. C. R. Moule, Nottingham. BEASLEY, Derick Gordon, with Poppleton & Appleby, Sheffield. BEASLEY, Michael Charles, B.SC., County Treasurer's Department, Nottingham. BECK, Kenneth, with M. Richmond & Co., Durban. BENJAMIN, Theodore Toby, B.COM., with Price Waterhouse & Co., Newcastle upon Tyne. BENNETT, Leonard James, with Singleton, Fabian & Co., London. BINGHAM, Ronald Bruce, with Lord, Foster & Co., London. BIRCHALL, Arthur George Horace, formerly with Edward Myers, Clark & Co., London. BIRD, Henry Edmund (*Francis Dix, Bird & Co.*), Johannesburg. BIRD, William, Ministry of Housing and Local Government, Manchester. BOOY, Edward Joseph James, with Saunders, Horton, Evans & Co., Cardiff. BOWYER, Roy Frederick, with Painter, Mayne & Walker, London. BRADFORD, Peter Stanley, with Dean & Son, Stafford. BROWN, Denis Cyril Houghton (*Harmood Banner, Lewis & Mounsey*), Nairobi. BROWN, Peter Geoffrey, with Godfrey, Laws & Co., Luton. BYRNE, Terence James, formerly with McNutt, McLarnon & Hamilton, Sligo. CARPENETER, Roland John, with Creasey, Son & Wickenden, London. CARR, Raymond Harold, with Pridie, Brewster & Gold, London. CARTLEDGE, Derek, with W. G. Hawson, Wing & Co., Sheffield. CARTWRIGHT, Arthur Frederick George, with Tansley Witt & Co., London. CHALK, John Leslie, with Allan, Charlesworth & Co., London. CHARITY, Michael Skelton, with Deloitte, Plender, Griffiths & Co., London. CHASTON, Peter Harding, with Peat, Marwick, Mitchell & Co., London. CLIFT, David James, with Bocock, Jeffery & Co., Derby. COGGINGS, Joe, with Whinney, Smith & Whinney, Leeds. COLLINS, Leonard Horace, with Hogg, Bullimore & Co., London. COLLINS, Paul John Viner, with Heathcote & Coleman, Birmingham. COLMAN, George Mowatt, with James Condie & Co., Dun-

fermline. CONLEN, James, with Alfred G. Deacon & Co., Manchester. COOPER, Denis, with Beevers & Adgie, Leeds. COPELAND, John Sinclair, with Lewis Golden & Co., London. COULING, Paul William, with Hepburn, Hagley & Knight, London. COUSINS, John Joseph, with Satterthwaite & Pomfret, Liverpool. COWAN, Alan, with Viney, Price & Goodyear, London. Cox, John Charles Wormleighton, with Cooper Brothers & Co., London. CRABB, Denis John, Forestry Commission, London. CRANE, Robert Ewart Montague, with Crane, Houghton & Crane, London. CROWLEY, Timothy Pearse, B.A., B.COM. (*Crowley & Co.*), Dublin. CROWTHER, Raymond Devney, formerly with T. E. Lowe & Co., Wolverhampton. CUFFLIN, David Robert Palmer, with Thomas May & Co., Leicester. DAVIES, Alan John Frederick, with Geo. H. Chapman & Co., Folkestone. DAVIES, Michael John, with Russell, Durie Kerr, Watson & Co., Birmingham. DODRIDGE, Dennis Olphert, with James & Cowper, Newbury. DUNKERTON, Henry John, with Price Waterhouse & Co., London. EDWARDS, Norman John, B.A., with Hill, Vellacott & Co., London. ELDER, Ronald Ivan, with Craig, Gardner & Co., Dublin. EMMITT, Raymond Linskill, with Cooper Brothers & Co., Sheffield. ENGLAND, Harry, with J. V. Couzens, Portsmouth. EVANS, George Henry, with R. Harold Hughes & Co., Wolverhampton. EVANS, Malcolm Thomas, B.SC.(ECON.), with Alban & Lamb, Cardiff. EVERITT, Alan William, with Charles Wakeling & Co., London. FEAVEARYEAR, Thomas Hedley, with G. W. Townend & Co., Goole, FIELDSEND, Lawrence, with Kirkman, Manning & Kay, Sheffield. FLETCHER, Alexander MacPherson, with Peat, Marwick, Mitchell & Co., Glasgow. FORRESTER, David, with Wm. H. Jack & Co., Glasgow. FORSTER, William Joseph, Borough Treasurer's Department, South Shields. FOUND, Dennis William Arthur, with Lucian J. Brown & Notley, Newport, Mon. GARNER, Bernard Roger, with Harper-Smith, Moore & Co., Norwich. GARSIDE, John Frederick, with W. H. Stables, Kendal. GILBERT, Alan Clifton, with Alfred Nixon, Son & Turner, Manchester. GIRLING, Norman, with Cassleton Elliott & Co., Lagos, Nigeria. GOWANS, Alan, with George Mackeurtan, Son & Crosoer, Durban. GRESTY, Brian, with J. Nield & Co., Radcliffe. GRIFFIN, Peter Stanley, with W. W. Beer, Aplin & Co., Exeter. GWILT, Donald Thomas, with Baker, Sutton & Co., London. HACKETT, Denys Howarth, with Rawlinson, Hargreaves, Smith & Wood, Burnley. HAGUE, Terence Alan, with Campbell, Toulmin & Co., Manchester. HALE, Douglas Alan, with Poppleton & Appleby, Birmingham. HALL, Philip Arthur, with Wykes & Co., Leicester. HALL, Robert John George, with Barton, Mayhew & Co., London. HALSE, Michael Norman Joseph, with Cassleton Elliott & Co., London. HARBINSON, Robert Benjamin, with Martin Shaw, Leslie & Shaw, Belfast. HARDING, David Henry, with Arthur E. Green & Co., London. HARDING, Michael John, with Bishop, Fleming & Co., Paignton. HARGREAVES, Anthony Paul, with A. Barr & Co., Leeds. HARRIS, Geoffrey David, with H. Gompertz, Evans & Mason, Birmingham. HARTLEY, Neville, with Jones, Ross, Howell & Co., London. HARTWELL, William Edwin Francis, with T. W. Morton & Son, Nottingham. HAYDEN, Kenneth Frederick, with Viney, Price & Goodyear, London. HAZARD, Roy Thomas, with Carlisle, Ray & Co., Nottingham. HEALY, Liam Padraig, with R. P. J. Smyth & Co., Dublin. HEAP, John Peter Wilkinson, with C. Percy Barrowcliff & Co., Middlesbrough. HEASE, John Reginald, Deputy Treasurer, East Barnet U.D.C., New Barnet. HEDGES, John Bernard, with Deloitte, Plender, Griffiths & Co., London. HILL, Jeffrey, with W. Dawson & Son, Dewsbury. HODCROFT, Derek Wilfred, with Jones, Crewdson & Youatt, Manchester. HODGETTS, Anthony John, with Frank Hall, Leeds. HODGSON, Geoffrey William, with P. F. Pierce & Co., Accrington. HOLMES, Eric, with Shuttleworth & Haworth, Manchester. HOPES, Clifford Byles, with Brown, Peet & Tilly, London. HOWARTH, Raymond, with Kaye & Wood, Huddersfield. HUTCHINSON, Ian Hay, with Kay, Keeping & Co., London. I'ANSON, Alan Edwin, with Cash, Stone & Co., London. JACKSON, Paul Michael Teal, with Sherwood, Baines & Co., Stockton-on-Tees. JAMES, Harold, with Hart, Moss, Copley & Co., Barnsley. JAMES, William John, with James Christie & Co., Newquay. JOHNSON, Keith James, with Hillier, Hopkins & Co., Hemel Hempstead. JONES, Derek, with Moore, Carson & Watson, London. KARRAN, Brian, with J. B. Bolton, Douglas, I.O.M. KATTAU, Arthur, with Bowker, Orford & Co., London. KEW, Nellie Louisa, with de Paula, Turner, Lake & Co., London. KIMPTON, Alan Stewart, with Kimpton, Holland & Co., Newport, Mon. KLIPPEL, John, with Benbow & Airs, Northampton. KOSKY, Anthony Hyman, with A. E. Quaife & Gower, London. LAMB, Thomas, with Alfred Nixon, Son & Turner, Manchester. LAMBKIN, Frederick Paschal, B.COM., with C. P. McCarthy, Daly & Co., Cork. LANG, Peter William, with Lucian J. Brown & Notley, Newport, Mon. LANGFORD, Dennis, with Sewell, Hutchinson & Co., London. LAWRENCE, Roy Donald, with Crew, Turnbull & Co., London. LAWSON, William, with Laverick, Walton & Co., Sunderland. LEIGH, Alfred Lea (*Alexander, Maclennan, Trundell & Co.*), Nairobi. LEIGH, Kenneth Bruce, with J. S. Streets & Co., Lincoln. LESSER, Leslie Hugh, with Edward Em. Sander & Co., London. LLOYD, Norman Albert, with Daniel Mahony, Taylor & Co., London. LYNE, Denis Robert, with Arthur Hopewell & Co., Durban. MCCANN, Francis Paschal, with Purnell, Davenport, Tierney & Co., Dublin. MCCREDIE, Alan Robert, City Treasurer's Department, Coventry. MACDONALD, James Keith, with Muir, Moody & Co., London. MACKIE, Clive David, with Graves, Pond & Co., Kingston-upon-Thames. MCHUGH, Peter William, with Peat, Marwick, Mitchell & Co., London. MCLAUCHLAN, Percy Gibson, with Cooper Brothers & Co., Glasgow. MACMAHON, Patrick Oliver Plunkett, B.A., with Niall & Co., Dublin. MANION, Peter, with E. Jacobson, Durban. MARKHAM, Kerridge, formerly with Spicer & Pegler, London. MARTIN, Kenneth Alexander, with Walter Baird & Co., Chester. MARTIN, Peter Leverton, with Prior & Palmer, Nottingham. MARVELL, Barry, with F. W. Clarke & Co., Leicester. MERRY, Charles, with Peat, Marwick, Mitchell & Co., London. MEYER, Richard Edward, with Farrow, Bersey, Gain, Vincent & Co., London. MIDGLEY, Roy Edward, with Harold Guy, Wakefield. MOORCRAFT, Ronald Gordon, with Wilson, Davis & Co., London. MORRIS, Thomas Brian, with J. Wallace Williams & Co., Cardiff. MUHAMMAD, Karimuddin, B.A., formerly with S. B. Billimoria & Co., Hyderabad. NEIGHBOUR, Roy Edward, with Clements, Hakim & Co., London. NIXON, Neville John, with John H. Nixon & Co., Manchester. NOONAN, Norman Thornton, with Charles E. Dolby & Son, Liverpool. NORMAN, Harold Alfred, with Wood, Albery & Co., London. NORRIS, John Charles, with Smith, Blyth & Co., London. NORTHFIELD, Ephraim John, with H. G. Ellis, Kennewell & Co., ,Nottingham. O'NEILL, Collingwood Arthur, with Duck, Mansfield & Co., London. ORTON, Maurice Henry, with James & Sanders, Wellingborough. PARKIN, Peter Derek, with Scott, Firth & Shaw, Leeds. PARKS, Stanley William, with Spicer & Pegler, London. PARROTT, Brian Michael, with Godfrey, Laws & Co., Luton. PATTISON, Donald Graham, with R. E. Moss & Co., Hull. PAYNE, John Ernest, with W. H. Payne & Co., London. PEERS, Clive Ewart, with Blease & Sons, Liverpool. PERRY, Colin Kirkpatrick, with Rolland & Pomphrey, Glasgow. PILSBURY, John, with Herbert Godkin & Co., Loughborough. POTTER, Graham Oscar, with Harvey Preen & Co., London. REES, Hugh Anthony, with Griffith & Miles, Slough. REEVE, Jonathan, with Casson, Beckman, Rutley & Co., London. RICHARDSON, Geoffrey, with Tranmer, Raine & Jarratt, Hull. RIGBY, John Alan, with Baker & Co., Leicester. RIGGS, Martyn Derek, with Edwards & Edwards, Dorchester. RISELEY, Clifford Frederick, with Croft, May & Co., London. ROBERTSON, James Rigg, Town Chamberlain's Department, Kilmarnock. ROBINSON, Keith, with John Watson, Sons & Wheatcroft, Sheffield. ROBINSON, Peter, with Harold Kelly & Co., London. ROBINSON, Robert Barrie, with Ralph Holmes & Co., Leeds. ROWLAND, Reginald Stanley, with H. A. Parfitt & Co., London. RUBIENSKI, Wladyslaw Aleksander, with J. H. Champness, Corderoy, Beesly & Co., London. RUSH, Andrew Calvert, with J. Dix Lewis, Caesar, Duncan & Co., London. RUSSELL, Peter Sydney, with Blakemore, Elgar & Co., London. SANDERSON, Roger Spooner (*Howell & Hanbidge*), Sheffield. SCOONES, Roy Ernest, with Morison, Rutherford & Co., London. SEWARD, Peter John, with Stephenson, Smart & Co.,

Peterborough. SHADRAKE, Donald Clive, with Bromhead, Foster & Co., London. SHARP, Leslie Norman, with Arnold Smith & Co., Spalding. SHAW, Francis Crawford, with H. V. Kirk, Palmer & Co., Belfast. SHEARS, William Charles, with Creasey, Son & Wickenden, London. SHORTEN, William Morkel, with Halsey, Button & Perry, Durban. SIMPSON, David, B.COM., with Spicer & Pegler, London. SMALL, James Donald, with Howard Smith, Thompson & Co., Birmingham. SMITH, Ronald John, with Peat, Marwick, Mitchell & Co., London. SPARKES, Dennis Alfred William, formerly with Lawrence Fink & Co., London. SPENSER, Ronald Ernest (*Mayhew & Lawley*), London. SPINKS, Bernard Charles Albert, with Geo. H. Jackson & Co., Sutton. STARK, David John, with A. J. Northcott, Lyddon & Co., Plymouth. STICKLAND, Alfred Francis, with Bernard Phillips & Co., London. STOKES, Albert Frederick, with Dixon, Wilson, Tubbs & Gillett, London. SUTHERLAND, Angus, City Chamberlain's Department, Edinburgh. TEAR, Ernest Roynon, Audit Department, C.W.S., Cardiff. THOMPSON, Frank Edwin, with J. E. Denney, Bogle & Co., London. THORPE, Reginald Harry, with Spiro, Sargant & Co., London. TIMOTHY, Edward Herbert, with Duncan, Watson & Short, Liverpool. TITMARSH, Albert James, with Deloitte, Plender, Griffiths & Co., London. TOD, John Owen Gordon, with Halsey, Button & Perry, Durban. TOOLE, Pat Edward, with Gilbert Allen & Co., London. TURNER, Jean Faith, with Wright, Fairbrother & Steel, London. TUTTY, Albert Robert, with Slater, Dominy & Swann, Cambridge. TYLER, Frederick William, with Dunn, Wylie & Co., London. VINES, Godfrey Edward, with S. J. Dudbridge & Sons, Stroud. WADE, Roland John, with Leslie A. Ward, London. WALTER, John Allen, B.SC.(ECON.), Registry of Friendly Societies, London. WALTON, Derrick, with Armitage & Norton, Bradford. WANKADIA, Kaikushroo Vicajee, B.COM, with S. B. Billimoria & Co., Bombay. WATSON, Frederick Ernest, with Watson & Tebbet, Leicester. WELLAND, John Francis, with Deloitte, Plender, Griffiths & Co., London. WELLS, David Roy, with Hopps & Bankart, Leicester. WEST, John William, with Compton & Horne, Durban. WESTBROOK, David Edwin, with Elles, Reeve & Co., London. WHITAKER, Henry, County Borough Treasurer's Department, Rochdale. WHITEHEAD, Royston Frank, with Norman Cooke & Co., Coventry. WILKS, Freda Rickard, with Ham, Jackson & Brown, Bath. WILKINSON, Lancelot Ian, B.A.(ECON.), with Wells, Richardson & Co., Sheffield. WILLIAMS, John Bryan, with Chantrey, Button & Co., London. WINTER, Michael, with J. Nicholson & Co., Lincoln. WISE, Jack, with Nyman Libson & Co., London. WYATT, Wilfred Lynn, B.A.(ECON.), with Alfred Nixon, Son & Turner, Manchester. YORKE, William, with George C. Wilkinson & Co., Middlesbrough. YOUNG, David Frank, with Stanley Wallis & Co., Nottingham.

Events of the Month

April 4.—*Belfast:* "Standard Costs," by Mr. W. W. Bigg, F.C.A., F.S.A.A. Joint students' meeting. Lombard Café, Lombard Street, at 7 p.m.
Dublin: "Costing Examination Questions," by Mr. W. W. Bigg, F.C.A., F.S.A.A. Students' meeting. Jury's Hotel, College Green, at 6.15 p.m.
Southampton: "Executorship Law," by Mr. O. Griffiths, M.A., LL.B. Polygon Hotel, at 6.30 p.m.

April 5.—*Grimsby:* "Negotiable Instruments," by Mr. C. R. Curtis, M.SC.(ECON.), PH.D., F.C.I.S. Chamber of Commerce, 77 Victoria Street, at 4.30 p.m.
Grimsby: "Banking and Stock Exchange," by Mr. C. R. Curtis, M.SC.(ECON.), PH.D., F.C.I.S. Chamber of Commerce, 77 Victoria Street, at 7 p.m.
Northampton: "Examination Technique," by Mr. R. Glynne Williams, F.C.A. Students' meeting. Plough Hotel, at 6 p.m.

April 6.—*Birmingham:* "Bankers Lendings," by Mr. R. T. Jones, District Manager of Lloyds Bank Ltd. Law Library, Temple Street, at 6.15 p.m.
Brighton: "Taxation—Capital and Investment Allowances," by Mr. L. J. Northcott, F.C.A. Students' meeting. Clarence Hotel, North Street, at 5 p.m.
Glasgow: Scottish Branch annual meeting. St. Enoch Hotel, at 2.30 p.m.
London: Stamp-Martin seminar, opened by Professor B. R. Williams, of the University College of North Staffordshire. "The Objective Basis of Investment Decisions." Incorporated Accountants' Hall, W.C.2, at 6 p.m.
Southsea: Dinner. Royal Beach Hotel, at 7 for 7.30 p.m.

April 6–9.—*Liverpool:* Residential course for students. Derby Hall, North Mossley Hill Road.

April 7.—*Leeds:* "Countering Inflation," by Mr. A. J. Ward. Students' revision class. 2 Basinghall Square, at 10.30 a.m.

April 7-13.—*Dublin:* Refresher course for students. Presbyterian Association, 16 St. Stephen's Green.

April 9.—*Coventry:* "Life Assurance," by Mr. F. W. G. Franklin, of Standard Life Assurance Co. Ltd. Rose and Crown Hotel, High Street, at 6.15 p.m.
Hull: Luncheon Meeting. New Manchester Hotel, at 12.50 p.m.
London: "Terminal Losses and Subvention Payments," by Mr. K. S. Carmichael, A.C.A. Students' meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

April 10.—*Bradford:* "Costing," by Mr. G. R. Tattersall Walker, A.C.A. Liberal Club, Bank Street, at 6.15 p.m.
Dudley: Open discussion and arrangement of programme for 1956/57. The Dudley and Staffordshire Technical College, The Broadway, at 7 p.m.
Middlesbrough: "Profits Tax," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A. Café Royal, Linthorpe Road, at 6.30 p.m.

April 11.—*London:* Taxation Group meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.
Newcastle upon Tyne: "Income Tax—New Business and Cessation Provisions," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A. Library, 52 Grainger Street, at 6.15 p.m.

April 12.—*Cardiff:* "The New Valuations for Rating, 1956," by Mr. G. F. East, F.R.I.C.S., F.L.A.S. Park Hotel, at 7 p.m.

April 13.—*Glasgow:* "Banking and Money," by Mr. Eric Furness, M.SC.(ECON.). Students' meeting. Scottish College of Commerce, Pitt Street, at 6.15 p.m.
Manchester: Students' Section annual general meeting, followed by Brains Trust. Incorporated Accountants' Hall, 90 Deansgate, at 6.15 p.m.

April 17.—*Swindon:* "Executorship," by Mr. R. Glynne Williams, F.C.A., F.T.I.I. Town Hall, at 7 p.m.

April 18-23.—*Berkhamstead:* London Students' Society pre-examination courses. Ashridge College.

April 19.—*Cambridge:* Annual general meeting, Cambridge Centre. Shire Hall, at 7 p.m.
Cardiff: "Standard Costing and Budgetary Control," by Mr. W. W. Bigg, F.C.A., F.S.A.A. Students' meeting. Park Hotel, at 5.30 p.m.
London: Luncheon Club meeting. Connaught Rooms, at 12.45 p.m.

April 20.—*Bristol:* "A Case Study in Management Accounting," by Mr. P. N. Wallis, A.S.A.A., A.C.I.S. Royal Hotel, College Green, at 6.30 p.m.
Glasgow: "Estate Duty and Trust Accounts," by Mr. T. Z. Kwiecinski, B.COM., C.A. Students' meeting. Chartered Accountants' Hall, 218 St. Vincent Street, at 6.15 p.m.

April 25.—*London:* Management Group meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

April 26.—*Cardiff:* "A Survey of Recent Financial Problems," by Mr. G. W. Cogar, B.A. Students' meeting. Park Hotel, at 5.30 p.m.

May 1.—*Cardiff:* Golfing Society competitions. Royal Porthcawl Golf Links.

May 3.—*Cardiff:* "Schedule D Computations and Capital Allowances," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A. Students' meeting. Park Hotel, at 5.30 p.m.

May 4 and 5.—*Belfast:* Pre-examination course by Mr. K. S. Carmichael, A.C.A. May 4: "Taxation," at 7 p.m. May 5: "Executorship Law," at 10.30 a.m. "Accounts," at 2.30 p.m. 13 Donegall Square West.

Personal Notes

Mr. Eric P. Smith, A.S.A.A., who is the Lagos organiser of the British Empire Leprosy Relief Organisation, had the honour of being presented to Her Majesty The Queen and His Royal Highness The Duke of Edinburgh at Government House, Lagos, Nigeria, in February.

Mr. A. P. F. Rothman, A.S.A.A., has started practice under the style of Algernon Rothman & Co., Incorporated Accountants, at 11A Southgate Street, Winchester.

The partnership of Doughty, Hands & Co., Birmingham, has been dissolved. Mr. H. R. Hands, A.S.A.A., is continuing to practise at the same address as sole partner under the style of H. R. Hands & Co., Incorporated Accountants.

Mr. S. M. Marks, A.S.A.A., has commenced practice, under the style of Mason Marks & Co., Incorporated Accountants, at 11 Stanhope Gate, Park Lane, London, W.1.

Messrs. Dunn, Hornby & Cowie, Incorporated Accountants, Nairobi, announce that Mr. D. C. Houghton Brown, A.C.A., A.S.A.A., has been admitted as a partner of the firm.

Mr. G. A. Stout, A.S.A.A., has been appointed secretary/chief accountant to Harvey's Belgravia Foods Ltd., London, N.19.

Mr. John Tait, Incorporated Accountant, St. Helens, has taken into partnership Mr. A. J. B. Mawdsley, A.C.A., and Mr. A. H. Pickavance, A.C.A. The firm name is John Tait & Co.

Mr. G. F. M. Smith, A.S.A.A., has left the partnership of Stephenson, Smart & Co., Corby, to take up the appointment of accountant to Creators Ltd., Woking.

Mr. D. T. Jones, A.S.A.A., has become a partner in Messrs. Saunders, Horton, Evans & Co., Cardiff.

Mr. C. W. Yeaxlee, A.S.A.A., has been appointed managing director of D. Henderson & Co., Ltd., Leonard de Cordova Ltd., and British Overseas Agencies Ltd., Kingston, Jamaica, and The Hofius Hardware Co. Ltd., Belize, British Honduras.

Messrs. Alfred G. Deacon & Co., Leicester, announce that following the regretted death of their senior partner, Mr. Frank Dixon, F.C.A., F.S.A.A., the practice is being continued by the remaining partners.

Mr. Arnold Ingram, A.S.A.A., has commenced practice under the style of Harry Potts, Ingram & Co., Incorporated Accountants, at Weetwood Chambers, 93A Albion Street, Leeds, 1.

Mr. O. A. Watson, F.S.A.A., practising as Watson & Tebbet, Incorporated Accountants, Leicester, announces that he has taken into partnership Mr. F. E. Watson, A.S.A.A., and Mr. E. Saunders, A.S.A.A. The style of the firm remains unaltered.

Mr. John H. Ashworth, Incorporated Accountant, has ceased to be a partner in Messers. Ashworth, Moulds & Co., and is now practising under his own name at 5 Thomas Street, Burnley.

Mr. Sorab G. Mama, Incorporated Accountant, formerly in Pakistan, is now practising at 56 Moorgate, London, E.C.2, and Glynn Cottage, Woodland Gardens, Selsdon, Surrey.

Obituary

Luke Vernon Bairstow

IT IS WITH deep regret that we record the death on March 8 of Mr. L. V. Bairstow, F.S.A.A., a partner in Messrs. Lithgow, Nelson & Co., Incorporated Accountants, of Liverpool, London and Southport.

Mr. Bairstow was 62 years of age. He was articled to the late Mr. W. E. Nelson, F.S.A.A., in 1919, and became a member of the Society of Incorporated Accountants in 1925. His association with his principal's firm was continuous until his death: he was admitted to partnership in 1945.

Mr. Bairstow's father was a Congregational minister, and he himself was for many years a deacon at the Stanley and Wavertree churches. For the last nine years he had been secretary of Merseyside Congregational Council, and for the current year he was chairman of Liverpool district of the Lancashire Congregational Union.

William George Seymour Bond

WE REGRET TO record the death on January 8 of Mr. W. G. S. Bond, A.S.A.A.

Mr. Bond entered the office of Messrs. Annan, Dexter & Co., Chartered Accountants, in 1916, and remained with them till 1941, with the exception of a period of eighteen months' active service in World War I. He qualified as an Incorporated Accountant in 1925. Several generations of articled clerks in the firm remember him with affection and esteem as a good friend and counsellor.

In 1941 he joined the accounting staff of the East Anglian Electric Supply Co.Ltd., and in 1948 he became an Assistant Chief Accountant of the British (now the Central) Electric Authority. He was promoted to the status of a Deputy Chief Accountant in 1951, and retained that position until his death.

Charles Dowson Buckle

WE HAVE RECEIVED with regret news of the death on February 13 of Mr. C. D. Buckle, A.S.A.A., senior partner in Messrs. Charles D. Buckle & Co., Incorporated Accountants, Bradford.

Mr. Buckle was 62 years of age. He became a member of the Society in 1915, after serving articles and attaining Honours in both Intermediate and Final Examinations, and entered into practice almost immediately. He served during World War I in the Nottinghamshire (Sherwood Rangers) Yeomanry.

He was a director of Brown, Muff & Co. Ltd. and other companies in Bradford, and a local director of Union Assurance Society Ltd. He was a Freemason, and was formerly a member of the West Bradford Golf Club.

Frank Dixon

WE RECORD WITH deep regret the death on February 15 of Mr. Frank Dixon, F.C.A., F.S.A.A., senior partner in Messrs. Alfred G. Deacon & Co., Leicester, and a Past President of the Incorporated Accountants' District Society of Leicestershire and Northamptonshire.

Mr. Dixon qualified as an Incorporated Accountant in 1902, after attaining Honours in the Final Examination, and became a member of the Institute of Chartered Accountants in England and Wales in 1927. Shortly afterwards he was admitted to partnership in Messrs. Alfred G. Deacon & Co., with whom he was associated throughout his professional life.

When in 1928 it was decided to form a District Society of Incorporated Accountants in Leicester, Mr. Dixon was elected as one of the original members of the Committee, on which he served for over twenty years. He was a Vice-President from 1934 to 1937, and President for the year 1946/47.

Frederick Louis Gardiner

WE HAVE LEARNED with regret that Mr. F. L. Gardiner, F.S.A.A., Scarborough, senior Vice-President of the Incorporated Accountants' Hull and District Society, died suddenly on February 12, at the age of 51. He became a member of the Society of Incorporated Accountants in 1933, after serving his articles with the late Mr. F. C. Gardiner, F.S.A.A. He was admitted to partnership in Messrs. F. C. Gardiner & Co. in 1937, and was senior partner at the time of his death.

For the last twenty-one years Mr. Gardiner had been secretary of the Scarborough Hotels and Boarding Houses Association.

The funeral took place on February 15. The Incorporated Accountants' Hull and District Society was represented by Mr. A. Macdonald and Mr. H. Scott (members of the Committee) and by the Honorary Secretary, Mr. A. Jarratt.

Cecil Leslie Kebbell

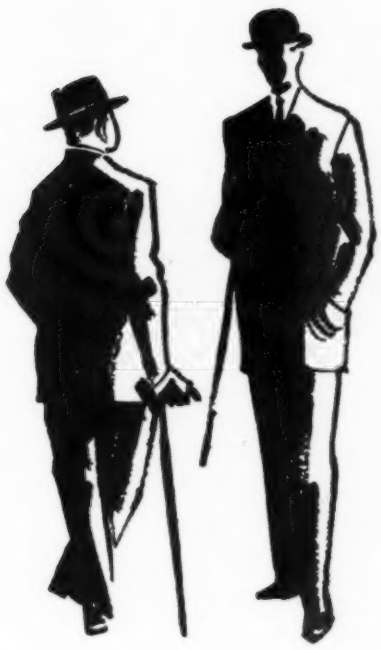
WE ANNOUNCE WITH regret that Mr. C. L. Kebbell, A.S.A.A., died on March 11, at the age of 44.

Mr. Kebbell was articled to the late Mr. E. P. Coleman, F.S.A.A., of Messrs. Wm. C. Tuke & Co., London, and qualified as an Incorporated Accountant in 1932. Shortly afterwards he took up a post in industry. After a period in Odhams Press Ltd., he was mobilised as a Territorial at the outbreak of World War II, and rose to the rank of captain in the Royal Army Ordnance Corps. On demobilisation in 1945 he was appointed secretary and chief accountant to the Norfolk News Co. Ltd., Norwich, and he retained that position until his death.

He became a member of the Committee of the Incorporated Accountants' District Society of East Anglia in 1949, and recently accepted the office of honorary treasurer.

Outside his professional life Mr. Kebbell's interests included cabinet making and chess.

The funeral service took place at St. Andrew's Church, Norwich, on March 15.



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APPOINTMENTS VACANT

THE SOCIETY'S APPOINTMENTS REGISTER
Employers who have vacancies for Incorporated Accountants on their staffs and also members seeking new appointments are invited to make use of the facilities provided by the Society's Appointments Register. No fees are payable. All enquiries should be addressed to the Appointments Officer, Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2. Tel. Temple Bar 8822.

FEDERATION OF RHODESIA AND NYASALAND
Audit Department: Ministry of Finance

Vacancies exist for Men and Women Audit Examiners. Applicants, 21–30, must be Chartered/Incorporated/Certified Accountants, graduates with courses in Commerce/and or Accountancy, or C.I.S. Finalists.

Starting salary (men) £580–£1,050, depending on qualifications and experience on scale rising to £1,100. (Women) £550–£840 depending on qualifications and experience on scale rising to £880 p.a.

There are sufficient senior posts (up to £3,250 p.a.) filled by internal promotion, to ensure adequate career prospects for successful applicants.

Application forms and further details from the Secretary, Rhodesia House, 429 Strand, W.C.2. Closing date: April 14.

UNIVERSITY OF THE WITWATERSRAND, JOHANNESBURG, SOUTH AFRICA

Applications are invited for appointment to the post of **FINANCE OFFICER** on the administrative staff of the University. The Finance Officer will be in charge of all the University Accounts, and will be responsible to the Principal, through the Registrar, for all the accounting work including the preparation of the annual financial statements and such other statements as may be required by the Principal of the Council from time to time. It will be his duty to attend meetings of the Finance and Special Purposes Committee of the Council and he will have the right to participate in its deliberations. He will also be expected to advise on the financial aspects of the administration of the University. Applicants should preferably be professionally qualified, and experience in commerce will be an additional qualification.

The substantive salary attached to the post is on the scale £1,800×£100—£2,000 per annum. In addition, a married man will receive cost of living allowance at such rate as the University may be authorised to pay from time to time, the present rate being £234 per annum.

Membership of the Provident Fund is compulsory. Membership of the Staff Medical Aid Fund is compulsory in the case of an officer who is eligible for membership.

The successful applicant will be expected to assume duty on July 1, 1956, or as soon as possible thereafter.

Applicants are advised to obtain a copy of the information sheet relating to the above vacancy from the Secretary, ASSOCIATION OF UNIVERSITIES OF THE BRITISH COMMONWEALTH, 36 Gordon Square, London, W.C.1.

The closing date for the receipt of applications, in South Africa and London, is **April 30, 1956.**

A CITY FIRM of Incorporated Accountants, with varied practice, have vacancy for Semi-Senior Audit Clerk with good accountancy experience. Apply, stating age, experience and salary required, to Box No. 330, c/o ACCOUNTANCY.

ACCOUNTANTS! AUDIT CLERKS! BOOKKEEPERS! If you have the necessary experience we can find a BETTER position for you from dozens now on our books, with no obligation to yourself. Phone or write: HOLMES BUREAU, 10 Queen Street, E.C.4. City 1978.

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AUDIT CLERKS. Many vacancies waiting for Senior, Semi-Senior or Junior. Call BOOTH'S AGENCY, 80 Coleman St., Moorgate, E.C.2.

BURROUGHS expansion programme includes the appointment of a limited number of trainee representatives in the current year.

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Applications should be made in the first place to Personnel Director, BURROUGHS ADDING MACHINE LTD., Avon House, 356 Oxford Street, London, W.1, quoting reference A5/56. Interviews will then be arranged at the appropriate Branch in the U.K. and Eire.

CARDIFF, Incorporated Accountants have vacancy for qualified assistant with prospect of Partnership. Preference given to applicant with some experience since qualifying, Full particulars of experience, salary required, etc. to Box No. 353, c/o ACCOUNTANCY.

CHARTERED Accountants, London, with large and varied practice, require immediately a young qualified accountant. Good prospects for suitable man. No Saturdays. Full details to Box No. 349, c/o ACCOUNTANCY.

EASTERN NIGERIA INFORMATION SERVICE
Vacancy for Accountant

Applications are invited for appointment as Accountant in the Eastern Nigeria Information Service, Enugu, Eastern Nigeria, which is a statutory corporation.

QUALIFICATIONS: Age limit 25–40. Applicants must be members of the Institute of Chartered Accountants or of the Society of Incorporated Accountants or a body recognised as of equivalent status. In addition, they must have had some years' experience as a qualified accountant with a commercial firm of public body.

TERMS OF APPOINTMENT: On contract for a period of up to four years. Inclusive emoluments according to qualifications and experience between £1,200 and £1,600. Generous leave at the end of 18–24 months and free first class passages for officer and wife and assisted passages for children. Income-tax at local rates. Free medical and dental treatment. Quarters may be provided at a rental of 10 per cent. of basic salary.

METHOD OF APPLICATION: Applications should be addressed to the Chairman, EASTERN NIGERIA INFORMATION SERVICE, Enugu, Nigeria, by airmail so as to reach him not later than April 27, 1956.

LONDON CHARTERED ACCOUNTANTS invite applications from Incorporated Accountants for the position of Senior Clerk with a view to Articles and eventual Partnership. Apply Box No. 342, c/o ACCOUNTANCY.

QUALIFIED accountant preferably under 35 required to take charge Accounts Department and produce final accounts monthly for substantial importers. Salary about £1,000 p.a. Commercial experience essential, machine accounting experience an advantage. Box No. 3196, c/o WHITE'S LTD., 72/78 Fleet Street, E.C.4.

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STOCK control and records clerk experienced in reconciliation and usage, etc. Retired accountant would suit. Boreham Wood, Herts. Box No. 351, c/o ACCOUNTANCY.

VACANCIES available for qualified Accountants in South America, West Indies, Rhodesia, Kenya, Far East and the Continent. Call BOOTH'S AGENCY, 80 Coleman St., Moorgate, E.C.2.

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APPOINTMENTS REQUIRED

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